

DIGITAL TRANSFORMATION FRAMEWORK

GUIDE

WAY TO CATALYZE
YOUR JOURNEY
FOR DIGITIZATION

2022

IANCON Group

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Introduction

Digital wave new way

Are you a financial services enterprise looking for opportunities to unlock the business value in digital transformation platforms? How can you add the 'digital edge' to differentiate your services and create a sustainable advantage? Let's find out.

The financial services industry has undergone tremendous changes in recent years. The market has become highly commoditized, making it difficult for any enterprise to survive if it fails to differentiate. To remain competitive, it's become a necessity that enterprises continuously innovate to reduce costs, increase customer reach, and improve process efficiency by adopting advanced technologies and frameworks.

Customers may jump ship and go elsewhere if they do not experience a consistently satisfying experience across digital channels

The emergence of digital technologies and platforms has added flavor to—and had a significant impact on—the financial services industry. Just five years ago, smartphones, tablets, and cloud-based ecosystems didn't exist or were on the fringe of broad acceptance. But now, business losses and customer demand around access to banking services delivered through digital channels are leaving enterprises with little choice but to adapt digital platforms. Customers may jump ship and go elsewhere if they do not experience a consistently satisfying experience across digital channels or if they find that the digital channels offered aren't user friendly.

The objective of any financial services enterprise is to maximize margins by efficiently managing business processes while simultaneously delivering customer satisfaction and loyalty. To achieve this, enterprises are using the twin-pronged approach of proactively consolidating disparate systems and leveraging digital technologies and platforms. Doing so is helping enterprises attract and retain more customers, a clear indication that a refocus on customer-centered digital strategies can pay dividends.

Impact of digital transformation on financial services

Chapter 1

Impact of digital transformation on financial services

- User Experience
- Business Process
- Operating model

Competitive pressures, coupled with the customer's 'give-me-more-for-less' expectations, have created the right impetus for companies to reorient their core strategies toward a broader series of channels, mostly digital. Many institutions have started working toward enhancing market share in these new digital channels with a view to gaining a competitive edge.

Financial services enterprises that invested in advanced digital technologies are starting to reap significant benefits. The digital transformation initiatives that have proven successful are typically focused on changing customer relationships and experiences, redefining value propositions, and optimizing business models and processes.



Impact

of digital transformation on financial services

In the financial services industry, digital transformation has been instrumental in driving changes in the following areas:

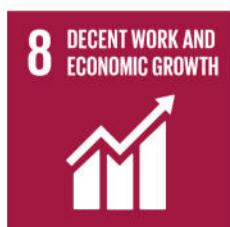
User Experience



THE GLOBAL GOALS

In this digital era, consumers have become tech-savvy, socially active, and selective in their purchases. They prefer products and services that are personalized, matching their tastes and preferences. Self-service venues rule the day. Consumers search for information on the Web and read online opinions and experiences posted by other users, all of which influence their financial decisions to a large extent.

Business Process



Because the marketplace has become more dynamic than ever before, standard business processes have lost relevance in the digital era and are being replaced by adaptive processes. For customers, the cost of switching to another bank is almost negligible. Therefore, to retain existing customers and attract new ones, enterprises need proactive, customer-centric processes. Enterprises have started building agile business processes so their design and process changes can be handled quickly, in step with the changes in the market. This can help reduce lead time for new product development and in addressing customer complaints.

Operating Model



Companies have started reshaping their boundaries by offering the same products and services on their e-commerce and offline platforms. Moreover, the digital wave has not only changed the way enterprises operate but also how employees work, communicate and engage with customers.

Chapter 2

Digital transformation challenges

While the business opportunities of digitalization are obvious, there are a number of challenges for enterprises to overcome—and pitfalls to avoid—on their transformation journey. The three areas mentioned above are the building blocks of digital transformation.

Another critical challenge is deciding how far and how fast to traverse the digital journey. The answer lies in adopting a differentiated digital transformation framework that can help address that challenge. The following are some key issues that enterprises will need to address in the process of planning digital transformation.

Infrastructure Issues

Infrastructure Issues

20%

Multichannel Synchronization

Multichannel Synchronization

20%

Risk Vs Benefits

20%

Integration Issues

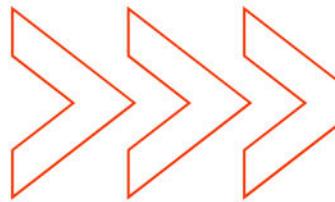
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Privacy & Security
20%

Integration Issues

Privacy & Secuirty

Key Challenges



Issues and their Responses

issues

Responses

Risks vs. benefits

Financial institutions are generally skeptical about the benefits of digital technologies and tend to think that the risks involved outweigh the benefits.

One of the best approaches is to thoroughly analyze how well digital technology will 'fit in' with the enterprise's processes and operations. The key determinants of enterprise-technology alignment are reliability, performance and compatibility with the existing IT infrastructure. The implementation of digital technologies should be based on cost-benefit analysis, value to the business, and potential return on investment.

Privacy and security

In today's digital era, security and privacy are major threats to the financial services industry. Many financial enterprises are wary of digital technologies for fear of the reputational loss and financial penalties involved in exposing or leaking confidential information.

Effective authentication and monitoring mechanisms can help achieve a high level of security for access to digital channels. For instance, the implementation of multilevel security tools, such as auto-wipe options in phones and tablets to protect confidential information if the device is lost or stolen, can go a long way in boosting mobility-based security.

Infrastructure issues

The enterprise's digital capabilities depend on its IT infrastructure. The lack of IT infrastructure and capabilities can be a disadvantage in relation to digital technology adoption.

Digital transformation will be easier if there is a strong bond between IT the infrastructure and business functionality. Consolidating operations and IT infrastructure can help achieve this bond and enable execution of process changes that are facilitated by technology.

Multichannel synchronization

The lack of coordination between processes and customer touchpoints can cause failure when adopting digital technologies.

The enterprise's vision should be clear and its strategy should ensure that its online business complements—not competes with—its offline business.

Integration issues

The integration of various processes and operations is crucial to successful digital transformation. The value derived from digital transformation can be lost if integration fails.

The integration of multiple processes should be effectively handled, and managed. Channel conflict arises due to coordination issues between new and traditional processes. The new processes need to complement and work seamlessly with existing processes.

To effectively embrace digital technologies, enterprises need a digital transformation framework that can clearly map their offerings to the customer's expectations. The framework should target all critical business areas and identify appropriate digital technologies for successful execution.

Chapter 3

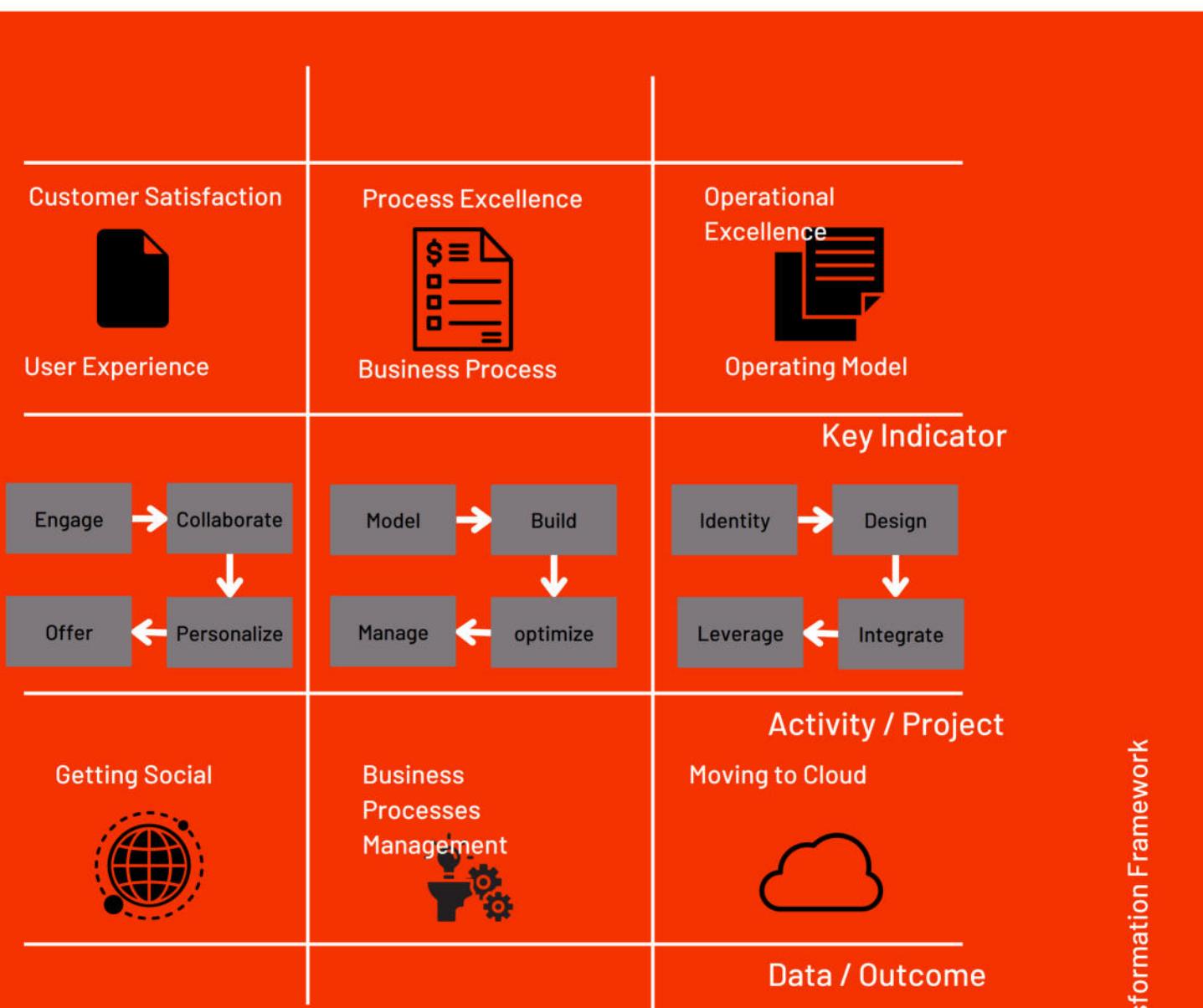


Digital transformation Framework

Having a rigorous framework is the success mantra for digital transformation. Let's understand how the digital transformation framework actually enables an organization to build tomorrow's financial services enterprise by going digital and helping them capitalize on that power.

Value Base

The digital transformation framework below comprises three value pillars. These pillars are the disciplines that enable the enterprise to create customer value and, at the same time, achieve a competitive advantage in the market. These value drivers are what make the digital journey successful. Let's take a close look at each of these value base.

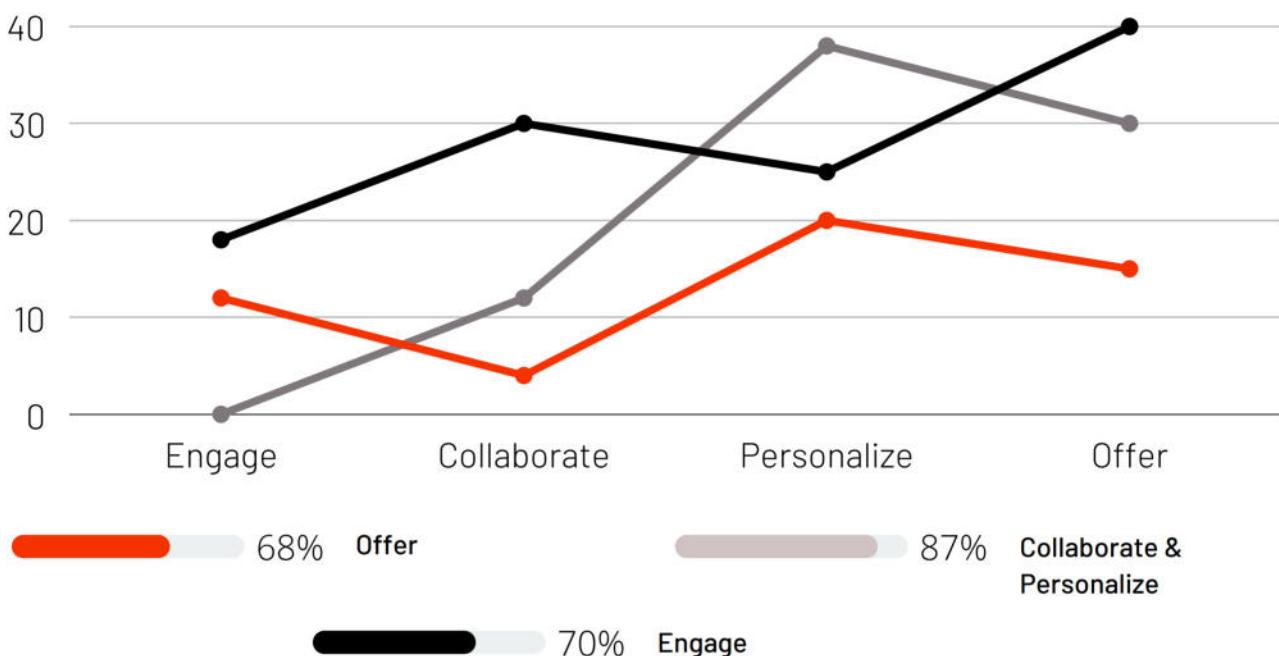


Chapter 4: Customer satisfaction

Customer satisfaction revolves around customers, their touchpoints, and experiences with the enterprise's offerings. This value pillar is about understanding customers, their needs and preferences; and devising appropriate strategies to attract and retain them.

Iterative roadmap

There is an iterative four-step process, below for driving digital transformation and delivering a user experience that is at once engaging and differentiated:



- Engage - your most important quantitative data
- Collaborate - qualitative results from SDG-related projects or activities
- Personalize - criteria and grade assessments for transparent reporting
- Offer - an organized snapshot of relevant data

96% Customer Satisfaction

Next Steps

Iterative roadmap for customer satisfaction

Pillars of customer satisfaction at its core center

01 Engage

- Customer to be engaged from process to product discovery till point of sales
- Customer enjoy associating, participating and like to be at the contributing end

02 Collaborate

Enterprise must create a collaborative and iterative platform or forum for:

- Sharing opinions and views
- Learning from experience of other customer

03 Offer

- Multiple touchpoints suiting the needs of customer
- The products and services offered across multiple channels have to be synchronized

04 Personalize

- Identifying likes and minimizing dislikes transform prospect to loyal customer
- Product and services should be personalized for matching individual taste

Strategic initiative

The key strategic initiative to achieving customer satisfaction is getting social. Enterprises can capitalize on their customers' increased tech literacy and social activeness levels to build meaningful relationships and create business opportunities.

Engage -> Collaborate -> Offer -> Personalize

Social networks enable institutions to engage and collaborate with customers, and facilitate an enterprise to drive business through information-sharing and community-building. Online communities bring together like-minded customers and make it easier for banks and insurers to classify customers based on their preferences. An institution should leverage social and networking websites like blogs, Wikis, Twitter and Facebook to collaborate with customers outside their 'boundaries' and resolve issues faster. This is a win-win situation for both, customers and service companies—customers overcome challenges and grow their businesses while institutions build their customer base by offering financial products that match consumer preferences and interests.

Institutions can use these interactive communities for advising clients and building both brand and loyalty bases. Social networks have made it easier for enterprises to:

- Identify prospective customers through online digital marketing initiatives
- Personalize offerings based on customer analytics
- Provide multichannel delivery of financial products and solutions – integrated with mobile devices
- Resolve customer problems with intelligent insights

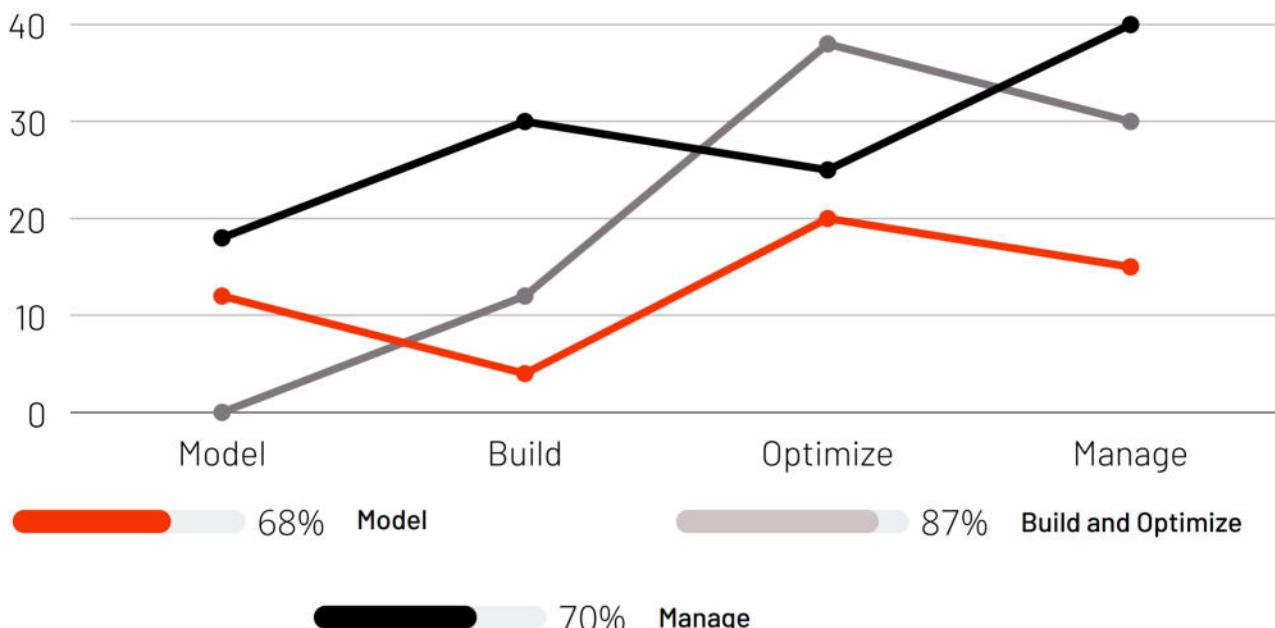
The uniqueness of a bank or an insurer's digital strategy in terms of how it addresses its customers' social inclination determines its level of competitive differentiation. Enterprises now have an environment that actively supports the transition from being just listeners to actively engaging and collaborating with customers to create long-lasting relationships for long-term business sustenance. If implemented efficiently, the strategy can result in success for the enterprise and customers. Satisfied customers often serve as social advocates, resulting in more business for the company.

Chapter 5: Process Excellence

To cope with the changes in the marketplace in this digital era, it's essential for financial service enterprises to ensure faster implementation of new processes, so they can meet quality standards and compliance requirements, while reducing time-to-market. For that, they need to move from a functional to a process-oriented mindset.

Iterative roadmap

Business process management focuses on the ways and means to automate and optimize operational practices. Below is an iterative four-step process for successful digital transformation of business processes:



- Model - the business process
- Build - to automate
- Optimize - deviance
- Manage - and monitor

76% Process Excellence

Next Steps

Iterative roadmap for process excellence

Pillars of process excellence at its core center

01 Model

- Identify the business goals and the key performance indicators (KPI & OKR)
- Model the processes to drive these metrics

02 Build

- Automate the business processes
- Processes must have competency and capability of handling business challenges

03 Manage

- The resources and process bottlenecks are to be continuously monitoring and managed without affecting business continuity

04 Optimize

- Process excellence is achieved through processes optimization by handling deviances between actual k and benchmark OKR or KPIs
- Processes are remodeled if needed

Strategic initiative

The key strategic initiative to achieve business process excellence is business process management (BPM). BPM implementation can help enterprises create new avenues for growth, increase process efficiency, and improve competitive differentiation. It creates an agile platform and optimizes business processes, end-to-end. BPM implementation acts as an enabler in the development of new products and services by reducing the time-to-market and costs, improving customer service, and effectively managing compliance.

Model -> Build -> Manage -> Optimize

Some of the key processes for which financial service enterprises can leverage BPM are:

- Regulatory compliance management: Regulatory compliance is an ever-increasing 'burden' for financial organizations. Enterprises are looking for ways to efficiently respond and adhere to new regulations. BPM offers financial enterprises the visibility they need into their processes as well as variability required to manage regulatory changes.
- Customer case management: The concept of case management is gaining momentum among financial service enterprises. Case management represents a powerful approach to manage customer interactions across the customer relationship lifecycle. This enables enterprises to surpass customer expectations and increase profitability by up-selling and cross-selling new financial products.
- New product development: An important factor that determines the success of a new financial product is how quickly it reaches the market. Applying BPM in research and development can ensure collaboration across processes while streamlining both processes and tasks, thus helping speed the entire product development process.

Case Study & Testominal:

Benefits:

Cut end-to-end application development time from 6-9 months to 2-3 weeks
Simplified DevOps collaboration with flexible integration and agile approach
Optimized use and costs of datacenter and cloud capacity with microservices, containers, and cloudbursting

We've never provided capabilities across so many infrastructure providers or capabilities for developers to actually develop the platform we're providing. All of this happened because we started using Red Hat OpenShift Container Platform. It's setting us apart from competitors because we're able to make changes quickly, effectively, and efficiently.

EMMA PERKINS, PaaS PORTFOLIO MANAGER, DEUTSCHE BANK

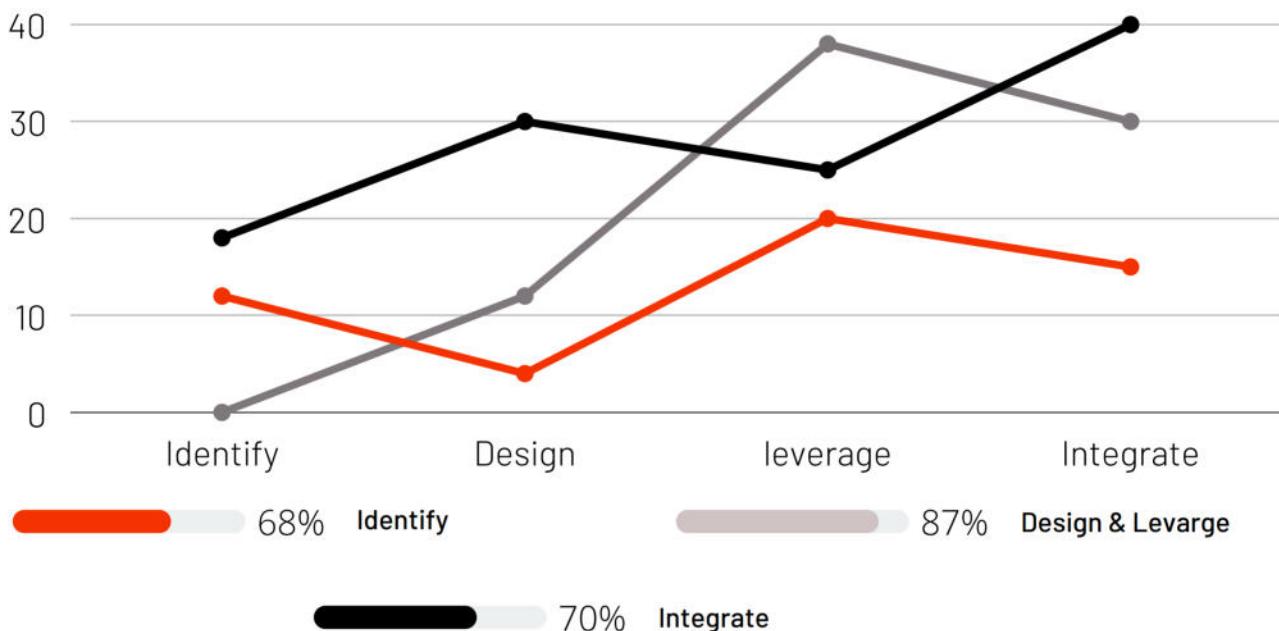
Chapter 6: Operational Excellence

The operating model plays a significant role in achieving business excellence. With digital technologies inexorably driving financial business online, it is critical for enterprises to extend their boundaries by 'going digital'.

The operating excellence paradigm focuses on the business model, customer engagements, delivering products and solutions in online and offline formats, integrating offline and online offerings, and optimizing the value chain across customer touchpoints.

Iterative roadmap

The following is a four-step process for building a successful operating model in the digital era:



- Identify - the cost-effective channel
- Design- without conflict
- Leverage - available information
- Integrate - value driven components

75%

Operational Excellence

Next Steps

Iterative roadmap for operational excellence

Pillars of operational excellence at its core center

01 Identify

- Identify appropriate and cost effective for engaging customers
- The channel should be profitable for the enterprise and should create customer pull

02 Design

- Build the digital channel in a cost-effective way for its offering
- No conflict with other channel offerings and should complement each other e.g., OpenShift and open stack or ROSA or Azure offering

03 Leverage

Leverage on the information available across multiple channels to reduce:

- Cost
- Time-to-market

04 Integrate

- Integrate and optimize various components of value delivery across customer touchpoints
- Delivery its solution in an effective way

Strategic initiative

The key strategic initiative to achieving operational excellence is the cloud. Cloud computing creates win-win situations for both the firm and customer. From the customer's viewpoint, it brings better user experience and service while for an enterprise, transitioning to the cloud reduces risk and helps achieve faster returns on investment (ROI).

Identify -> Design -> Leverage -> Integrate

Some of the key applications that a financial enterprise can move to the cloud are:

- E-commerce
- Analytics, including data mining, text mining, and data warehousing
- Business services, including customer relationship management, purchase trend analysis, spend analysis, and loyalty management
- Pricing and promotions, including price discovery, promotional timings, and channel discovery

Some of the Risks to be considered:

- Privacy agreement and service level agreement
- Security and data protection
- Location of data
- Legislation and regulation
- Limited Visibility into Network Operations
- Malware
- Compliance
- Data loss
- Inadequate Due Diligence
- Risk Assessments
- User Access Controls
- Automation



Some of the Benefits:

- Highly Scalable
- Highly Available
- Flexibility
- Reduces ownership cost
- Pay as you go
- Compliance ready
- Increased portability.
- More consistent operation
- Greater efficiency
- Better application development
- Reduced IT costs. Moving to cloud computing may reduce the cost of managing and maintaining your IT systems
- Business continuity
- Collaboration efficiency
- Flexibility of work practices
- Access to automatic updates

Summary

Digital transformation in the financial services has brought significant changes for customers and for enterprise business processes and models. To remain sustainable in today's digital world, financial service companies must exceed customer expectations, optimize and manage business processes efficiently, and build a unique operating model that integrates multiple channels. To achieve this collective objective, service firms must integrate social networks, BPM, and cloud.

Social

Business process management (BPM)

Cloud: Integration of strategic initiatives is crucial

Cautionary note: To increase the likelihood of success, the digital transformation journey should ensure that both activities—adopting digital technologies / platforms and implementing effective management of business processes and the operating model—are undertaken hand-in-hand. Simply focusing on going digital without proper BPM and robust operating model can result in failure.

An interactive social network helps in winning customer loyalty by creating a unique customer experience. BPM drives process excellence by impacting business processes. The cloud helps achieve operational excellence by influencing the operational model. This BPM-cloud-social network combination is a key enabler of business innovation.

What future looks like

Digital transformation in the financial services industry has built intense pressure on enterprises to redefine and rethink their interactions with customers, business processes, and business models. Leveraging the full potential of digital technology is the new imperative before financial service enterprises looking to gain a competitive edge in the market.

To fully exploit the potential business opportunities inherent in going digital, financial services firms need to build and execute a digital transformation framework powered by digital platforms and technologies.

The adoption and integration of BPM, cloud and social networks can make the digital transformation journey profitable and successful for enterprises. This digital trinity can help enterprises save costs, grow in scale, reduce time-to-market, and increase mobility, with the ultimate goal of driving innovation around products to ensure market leadership.

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I thank you for reading & your support
looking forward for constructive
feedback to improve the report

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He has years of experience helping clients optimize their business processes and achieve operational excellence. He is a thought leader and offers insight on the emerging technology trends and its impact on enterprise strategies and business models.

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