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Maintaining Competitive Advantage in the Financial Services Industry

Executive Overview

Today, the race for competitive advantage, coupled with a flood of new technology platforms, has created the perfect storm for business innovation in 2013 - especially in the highly competitive financial services industry. New banking services and payment applications continue to emerge from the industry's biggest banking firms and new non-traditional competitors. Speed to market and unique offerings are required to stay ahead of the pack.

Project portfolio management is critical to bringing these new ideas to life -- providing agility, strategic and resources planning and a full view of all innovative ideas in the pipeline.

Introduction

Maintaining competitive advantage often means coming up with the "next big thing." Many financial services firms are hearing their competitors' footsteps close behind, and they're relying on innovation to maintain their edge. But these days, innovation in financial services relies on information technology. Financial services leaders find themselves taking a fresh look at investment in IT and ways to use IT to drive business innovation.

Maintaining competitive advantage in the face of new, nimble competitors, macro-economic uncertainty and a heightened regulatory environment requires rethinking the relationship between IT and the business and investment in tools and processes that enable IT to accelerate business innovation.

Consumers Pave the Banking Innovation Roadmap

Banks around the world are facing margin pressures, slow balance sheet growth, an uncertain economic outlook and a growing threat from new entrants, especially in the payments arena. Banks are also confronted with growing regulatory costs and increasing demands for greater fairness and transparency in their interactions with customers.

Customer loyalty and trust has eroded as well. The overall proportion of customers planning to change banks has increased from 7% to 12% since 2011, according to customer satisfaction survey by Ernst & Young. [1] In half of the cases, customers are retaliating against fees and charges by leaving. The number of customers with only one bank has fallen from 41% to 31%, while those with three or more have increased from 21% to 32%.

Factors like these are encouraging banks to increase their focus on their most important stakeholders — their customers.

Customers want personalization and the flexibility to use a variety of different channels for financial transactions, according to the survey. Banks need to let customers personalize their service choices, with different cost and accessibility options.

Internet banking is now customers' preferred way to access account information in every country covered by the survey. The huge success of online banking can be attributed to its convenience and accessibility — customers can decide when they interact with their bank. In most markets, internet banking is also the most popular channel for customers undertaking simple transactions such as paying bills.

Despite the success of internet banking, customers around the world agree that access to branches and branch staff remains crucial for overall satisfaction. This is especially true when it comes to complex transactions, which customers in all markets prefer to perform in branches. These preferences are driving the need for new, innovative and personalized multi-channel services requiring an overhaul of existing information systems and technology.

Make Way for Mobile Apps

Financial institutions are also turning their focus to mobile applications to gain competitive advantage. "Right now, banking services and payments are becoming the next killer app," says Monique Shivanandan, senior vice president and chief technology officer at Capital One, in a *Computerworld* interview. [2] Shivanandan leads Capital One's innovation lab, where speed to market and unique offerings are required to stay ahead of the pack.

The innovation lab works on just three to four projects at a time, and a steering committee made up of business and IT leaders meets quarterly to develop a list of promising ideas to work on in the next two to three months. Developers, testers and business unit reps must work through a rapid and iterative cycle to develop each idea in 60-90 days. Some ideas are then scrapped while others move on to the next phase of development. Some prototypes developed for one business unit and shelved turn out to be better suited for another part of the business.

This type of rapid innovation requires transparency between business units, IT and project planners, agility to act quickly with the right resources at the right time, and a big picture view of all projects in the pipeline.

Making Regulatory Change a Source of Competitive Advantage

While financial institutions may face years of intense regulatory activity, Deloitte's senior global Risk and Capital Markets leaders believe that this should be used as leverage to build competitive advantage.[3] They point to two actions that can build competitive advantage.

- Taking a holistic approach to managing regulations

Regulatory compliance represents cost, but financial services institutions can outperform peers by managing the process more efficiently and extracting more value from the data collection, analysis and reporting work they must complete. Deloitte suggests organizations take a holistic view of the regulations facing their businesses and seek ways to manage it in a more unified way.

PPM Builds Competitive Advantage

To respond to customers' needs and deliver on them quickly, financial institutions must have the agility and transparency to choose the right projects, execute them with the right people and within the right timeframe, all while keeping a sharp eye on budgets and resources. These projects can be delivered with the help of a project portfolio management solution.

PPM can be a potent weapon to ensure an organization's investments work together and deliver true business results. Some 73% of 443 global portfolio managers surveyed by the Portfolio Management Institute say they practice project portfolio management to increase customer satisfaction, with more than half also saying that PPM provides cost reduction and revenue growth. According to PMI's 2012 *Pulse of the Profession Portfolio Management* report[4], organizations with little variation in their project portfolio management practices see 64 percent of their projects meet expected ROI — 17 percentage points more than those companies with high variability.

Portfolio managers in the survey also revealed potential gains going forward. They believed that the number of projects completed on time and on budget would likely increase by about one-third with more effective portfolio management. They also anticipated similar gains in achieving objectives and ROI goals.

A project portfolio management solution provides many benefits, including driving business growth and efficiency.

- A PPM solution drives business growth by turning insight to foresight through project lifecycle reporting with actionable data for improving project performance.
- An organization will achieve the greatest value with PPM, including a greater competitive advantage, by managing all of its projects, programs and resources in a centralized system.
- A PPM solution also enables organizations the visibility to ensure sufficient capacity, utilization, and availability of people, skills and other resources to meet current commitments and take on more work as needed.
- A PPM solution provides a platform for establishing standards critical to business success, while enabling the deep understanding and insight to move projects forward to successful outcomes. With consistent project-based processes, businesses will be more efficient and able to deliver projects faster, with higher quality and at lower costs. Built-in reporting and configurable dashboards provide the analysis, reporting and monitoring to ensure everyone is kept appraised of project performance. In addition, they are kept aware of any issues requiring action, and they have the information needed to make the right decisions.
- A PPM solution gives all appropriate participants access to vital project and portfolio information. Participation is also enhanced with integration to mobile devices. By connecting everyone involved in the project process both information velocity and decision-making are faster and more accurate.
- Also, with greater visibility, performance and costs are easier to track and control. With a PPM solution, executives can quickly identify root causes of problems and adjust plans -- ultimately helping to drive ROI.
- Risk is a recurring theme with all projects. PPM allows executives to track, model and mitigate risk with industry-standard qualitative risk management capabilities. Executives can evaluate major risk factors and their effect on costs and timing. Based on these risk models, executives can reduce project and financial risk consistently over time.

Conclusion

The financial services industry is undergoing rapid change – both with new regulations and new opportunities to gain competitive advantage.

Rapid change requires agility, transparency and a 360-degree view of all projects in the pipeline.

A project portfolio management solution provides the vital tools needed for project success and will give financial institutions the ability to capitalize on customers' wants and demands by delivering new products and services quickly, expertly and within budget.

1. “The customer takes control: Global Consumer Banking Survey 2012,” Ernst & Young, March 2012.

2. “Ready, Set, Compete: The benefits of IT Innovation,” Computerworld, Jan. 14, 2013. http://www.computerworld.com/s/article/9235555/Ready_set_compete_The_benefits_of_IT_innovation?taxonomyId=14&pageNumber=3

3. “Making regulatory change a source of competitive advantage in financial services,” Deloitte LLP, December 2011. http://www.deloitte.com/assets/Dcom-Australia/Local%20Content/Articles/Industries/Financial%20services/Investment%20and%20wealth%20management/Deloitte_regulatory_seminar_Financial_services_12122011.pdf

4. “Pulse of the Profession Portfolio Management Report,” Project Management Institute, June 2012. http://www.pmi.org/~/media/PDF/Business-Solutions/The%20Power%20of%20Portfolio%20Management%20-%20June%202012.ashx

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