

Managing change in financial services

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Many of us will be aware from the popular press that financial institutions such as banks, insurers, fund managers, savings and mortgage providers face significant pressures. Not a day goes by when we do not find yet another tempting loan offer on our doormat, sometimes from organisations that you might never have imagined might be in the banking business. A personal loan from a gas company? A credit card from your supermarket? Banking services on your mobile phone? What on earth is going on?

Some will remember the so-called 'good old days' when the 'Big Four' banks dominated the High Street. No doubt they will be bewildered by such myriad changes and find it incredible that banking has taken such turns. And yet the degree of change that has taken place already is likely to be eclipsed by what is yet to come. In the words of the song, 'We've only just begun'!

For practical reasons, this article refers primarily to retail financial services of the kind easily recognised by lay people. Behind these banks, sit the bankers to banks, and insurers to the insurers and so on. Ultimately, the global institutions transact deals of sizes that sometimes exceed the total wealth of small nations.

New world order

You might be forgiven for thinking that with so much money at their disposal, the banks might be under no threat whatsoever. However, all is not well in the garden. As the US and European economies have shifted from land-based, agrarian society through industrialised manufacturing to a service-based culture, other developing nations have followed in the slipstream of the West. Unlike the West though, they avoided the need to invent industrialisation, but were simply able to leverage much of the pioneering technologies and continue to take these on a stage further. This exponential growth of the so-called Third World economies rather caught the western world with its pants down in many market sectors. Oriental car manufacturers outsell all other makes in the US. The biggest bank in the world by asset size is Japanese. The Indian IT industry is probably second only to the US. The list goes on.

Back in dear old Blighty, non-traditional competition, increasing customer expectations, globalisation, increased IT capability at lower cost, market liberalisation and de-regulation, break-up of old cartels, European integration, emergence from the Cold War, all mean fundamental change, particularly in the financial services industry. The combined effects of these factors have exerted huge pressures on an industry that was regarded by many as being virtually bullet-proof. After a number of spectacular banking and insurance collapses, insider dealing scandals, dubious accounting investigations and cries of unfair competition from the establishment, we know that bullet-proof is hardly appropriate.

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Adapt or die

For many financial services organisations, their response is to adapt themselves for tomorrow's opportunities through a host of transformational initiatives. These include improved risk management, re-structuring the business portfolio, down-sizing, right-sizing, re-engineered processes, remodelling and launching new products, improving market channels, forming alliances with specialists, outsourcing non-core activities and so forth. Sadly, much of this welter of activity is reactive and in some cases, too little too late.

The biggest and best strategy houses are often called in to provide their heavyweight analysis on the prospects for the industry and the client in particular. The resultant output is usually standard reports from a strategy house who provide the macro-economic analysis, but for the client it is often akin to finding out you need a coronary bypass, bad news indeed. The major challenge facing a stunned board is to decide which of a dozen 'do or die' priorities to pursue and how to ensure certainty over the outcome.

For the key stakeholders of the business, the immediate dilemma puts reputations and careers at risk. How am I expected to continue my business-as-usual responsibilities for keeping the ship afloat and implement the change? Few dare to volunteer to lead the change, yet neither do they wish to be subjects of the change. Remember the feeling of being between a rock and hard place?

Intangibles and subtleties

Having a strategy is one thing, implementing it quite another. Since 'dyed-in-the-wool' bankers are not necessarily best placed to rise to the challenge, enter programme and project management. This is the black art usually confined to

those 'techies' in the IT division.

It is highly questionable that a multi-faceted, business-led programme could actually be executed without the unique skills of business-led programme and project managers, qualified and experienced in change of this magnitude. Knowing the project techniques and methodologies is a prerequisite. Having the commercial acumen to lead projects of the 'softer' almost intangible nature, but show bottom-line benefit and sustainable improvement, is a rarer talent.

When it is mandated that a bank needs to get closer to the customer, unify the culture immediately post-merger, build consistency between delivery channels, reduce the cost of service and also increase the quality, and so on, it is clear that these ambitions must be evaluated against clear and measurable criteria.

Monitoring project delivery is tough enough in a hard hat and wellies environment. Knowing if staff behaviour or customer relationships are on track is tougher still. At least construction project stakeholders can see that 15 of the 30 storeys of an office block are complete and take some notional comfort from that. The softer issues raised in FS projects are

by no means unique to the sector and share much in common with areas such as public services. However, the size of the prize is often such that the methodology purists may overlook the commercial opportunity to make a difference.

The construction industry roots of APM will always be its mainstay, but there is growing acceptance that some 'mega-projects' in financial services justify specific attention by the profession. This recognition is growing, but promoting the APM to FS business leaders remains a crucial challenge.