

# ICG

Internal Consulting Group



Financial Services  
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## ICG Industry Insights Review

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## About this Report

The **ICG Industry Insights Review** presents timely abstract reviews of the most relevant 'open published' perspectives and research reports from the world's leading branded management consulting firms.

ICG's Review ensures that executives and consultants are exposed to the widest range of high quality ideas, techniques and methodologies developed across the management consulting industry globally.

Relevant insights are identified and classified once only, either in a general category or by topic alignment to an industry segment or a functional area using our proprietary taxonomy.

## Access to Full Reports

If you find an insight of interest and wish to access the full report, simply click the link beneath the title. Where possible, this will take you to the full report. Occasionally, the publisher may require the user to complete a registration or payment process prior to accessing the report.

## Insight Sources

ICG sources candidate insights for review from the best and most relevant material published openly by (at least) the following branded consulting firms:

- Accenture
- AT Kearney
- Bain
- BCG
- Booz and Co
- CapGemini
- Deloitte, Touche & Tohmatsu
- Ernst and Young
- FMCG
- IBM
- KPMG
- McKinsey and Company
- Oliver Wyman
- Promontory
- PWC
- Roland Berger

## *Financial Services: Industry Economic Context*

### General Strategic Interest

#### **“Banking and Securities Outlook 2012: A year of Resolution and Revolution” – Deloitte**

[>> VIEW PDF \(24 PAGES\)](#)

More Recap and Refresh than Resolution and Revolution. This well-written and nicely structured US centric industry outlook leaves little space for prognosis. It will suit those wanting a short refresher on the US industry and a reminder of where to look for growth (wealth, analytics and sensitively applied fees). The only compelling argument for Resolution and Revolution is a reference to the Guy Fawkes-like 5<sup>th</sup> of November Bank Transfer Day movement. It has been credited with inciting sufficient consumer feedback to force several US majors to rescind Durbin-inspired debit cards fees.

The inclusion of a whimperish caveat at the end of the article hopefully suggests that subsequent outlooks will contain more...outlook.

#### **“Global Aging: How Companies Can Adapt to the New Reality” – BCG**

[>> VIEW PDF \(36 PAGES\)](#)

An engrossing article that convincingly makes the point that the issue of aging doesn't just apply to baby boomers in developed markets; it is a true global phenomenon, to the point where the global population (and most developed country GDPs) will reach very slow growth by 2050.

Unlike previous articles, it quickly skips through demographic evidence to the implications, with compelling examples of how the Japanese and Germans are already responding. For example, BMW have rolled the clock forward 8 years and staffed a production line with people with an average age of 47. After some minor refinements, productivity matched other lines but quality was higher so identified changes have been incorporated into new production lines.

The report contains sections on Labour (pool size and characteristics such as talent benefits from experience), Capital (dissaving and saving rate impacts on investment capital), Growth (population growth is the key driver of growth in developed countries who have hit the technological frontier) and Consumer Needs (adapting propositions – you will be surprised at the very profitable age-sensitive initiatives within German supermarkets!).

As we seek to distract ourselves with the day-to-day business of recovering from the GFC, this is a timely reminder of a ‘through the cycle’ trend that well deserves ICG’s ‘Article of the Month’ award.

## **“What Next? Where Next? What to Expect and How to Prepare” – BCG**

[>> VIEW PDF \(22 PAGES\)](#)

Continuing its engrossing serialisation of the crisis, BCG’s article suffers a little from the questions posed in its title: What Next? Where Next?

With little new to say, the first twelve pages provide an excellent summary of previous episodes. The six ‘new’ pages are largely a repeat of their well-ICG-reviewed [“Why companies should prepare for Inflation”](#) paper and an uncharacteristic laundry list depiction of two other scenarios: A Japanese-style lost decade and a EuroZonebreak-up (see Exhibit 4 for a great ‘starter for ten’ on this must-have scenario).

There are a few things we particularly like in the article, including several potential killer slides: A reminder of the aging problem (see our article of the month);Gokal’s juxtaposition of official government debt and often unreported, unfunded retirement liabilities; the powerfully effective graphical depiction of government debt, corporate debt and household debt; and the striking differences across European labour costs.

We hope the last line “Our wives told us not to talk about the crisis. But actually we are quite optimistic” is a spring board to a better episode next month.

## **“The Eurozone crisis: A Critical Juncture for Banks” – Bain**

[>> VIEW PDF \(5 PAGES\)](#)

Bain playing catch-up to BCG and Oliver Wyman’s perspectives on the causes and paths forward for the crisis in Europe.

You will have to look hard to find anything new, indeed even the problem structuring approach is very traditional two-by-twos.

However, we applaud the leap frog in presentation technology, which really shows off the future of consulting firm publication (though the pdf link should be to PowerPoint so readers can incorporate slides into their own presentations – with due credit).

## **“Economic Conditions Snapshot, December 2011: McKinsey Global Survey Results” – McKinsey**

[>> VIEW PDF \(5 PAGES\)](#)

A short synopsis of a global survey of 2,300 executives on their outlook for the global economy, their region and companies. Since the previous survey in September, the news is mostly slightly more negative for the global outlook, slightly more positive for the regional outlook, and significantly more positive at the company level. Perhaps reflecting bias created by news reporting, Eurozone executives report a much lower likelihood of Eurozone break-up than those outside the region.

## “Global Banking Adapts to Adverse Economic and Restrictive Regulations” – Ernst & Young

[>> VIEW PDF \(42 PAGES\)](#)

If you assembled 18 of the most senior non-executive directors from the largest banks in the world and orchestrated meaningful dialogue based on issues distilled from 200 plus senior executive interviewees, then with expert editing you should generate a rich and insightful catalogue of key issues and actions.

E&Y and their facilitator – Tapestry Networks – largely achieve this but they make it harder work than it should be to digest, with the information presented in an all-text format.

Our strong advice is to read this very good article (especially if you have an aspiration to think like a board member – there is a lot of sage advice baked into it) but break it up into digestible sections. Alternatively, turn it over to your strategy team for a distillation of relevant ideas.

## “Banking 2012: Revenue Growth and Innovation” – Accenture

[>> VIEW PDF \(16 PAGES\)](#)

A rich source of benchmarks, case studies and best practices wrapped up as a three-year study of leading banks. Adding to BCG’s country-adjusted TSR (and filling a gap left by OW’s defunct SPI) Accenture unveil FGV or Future Growth Value as an indicator of investor growth expectations for the industry. The 2010 FGV of 23.8% is already above pre-crisis levels of 13%-22%, suggesting cash-cow-like management before the crisis and low expectations of growth now.

The subsequent sections supply a mini “Good to Great” distillation of the key success levers used by the leading performers. They provide enough benchmarks, case study detail and management best practices to be a worthwhile resource for those wanting to pump prime or checklist their own institution’s efforts to formulate a strategy.

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## **“Foreign Direct Investment (FDI) Confidence Index” – A T Kearney**

[>> VIEW PDF \(12 PAGES\)](#)

Worth clicking the link just to see the very clever and witty front cover.

An authoritative-looking global survey on foreign direct investment plans, however it suffers from a sample size that is too small to take its findings as more than indicative or directional.

## Financial Services: Industry Categories

### Retail Banking

#### **“When Cash isn’t King: Driving Deposit Value in a World of Excess Liquidity” – PWC**

[>> VIEW PDF \(47 PAGES\)](#)

This is an article at the intersection of ALM and retail banking. At its heart is the story of the slow death of the deposits cash cow due to reduced pricing and the high cost of liquidity coverage. The answer, according to PWC, is better analytics applied to three key areas: ALM/Balance sheet management; Funds Transfer pricing; and Deposit price optimisation. These levers will get the Treasury team on side, and the rich PPT examples containing frameworks and approach and methodology slides will significantly help internal consulting teams tasked with getting the job done.

#### **“2012 Financial Services - Retail Banking Industry Perspective” – Booz**

[>> VIEW PDF \(4 PAGES\)](#)

Extending its tradition of sending the *A year in review, so what next?* letter to clients, the North American Retail Banking partners at Booz capture the key issues for 2012 and the responses for their clients.

Given the magnitude of the challenges faced, it makes for depressing reading. The bulk of the four pages are a synthesis of the most ubiquitous retail banking initiatives: seamless multichannel experience; analytics-driven decision-making; customer-focused value

proposition; and internal and external collaboration. The only incremental hope comes at the end of the letter, from the idea of exploiting informational and expertise advantages (e.g. marketing knowledge or operational risk expertise) to provide unbundled, value-adding services to business clients.

#### **“Dialing up a Storm: How Mobile Payments Will Create the Most Significant Revenue Opportunities of the Decade for Financial Institutions” – PWC**

[>> VIEW PDF \(68 PAGES\)](#)

A significant and generous body of PowerPoint work from PWC’s North American team that will likely add something to any payment landscape review or payments strategy project.

We found the following contributions most additive to other resources: the pages on retailer innovation; the material on the Trusted Services Manager (TSM) model; the focus on professional segments; and the incredibly generous number of public case studies (including a good history of DOCOMO).

The article’s style is helpfully educational while having a stab at the answer: firstly defending and extending, then being open and collaborative to move the payments ecosystem forward.

**“Seismic Changes are Causing Wavers of Opportunity – Views from the European Retail Banking Industry” – Ernst and Young**

[>> VIEW PDF \(8 PAGES\)](#)

“Just over 60% of respondents expect that where possible, all processes will be fully automated within five years” is unfortunately typical of the empirically supported insights in this short article. The analysis was generated by the Economist Intelligence Unit from a survey of 654 senior bankers from around the world, performed on behalf of E&Y.

An article only useful to those looking for additional data points to support their existing work.

**“Global Trends in the Payment Card Industry: Acquirers Key trends Faced by Card Acquirers and Their Implications for the Payment Card Industry” –Capgemini**

[>> VIEW PDF \(16 PAGES\)](#)

More journalism than consulting makes this article accessible to those outside the payments world and of limited value to those within it. Indeed Exhibit 2 explains the card payment ecosystem in a very elegant way. The article describes three trends in the acquiring world: Stricter compliance to security standards; end-to-end encryption (as a substitute to EMV), and perhaps the most compelling section, the advent of Square and PayPal’s Virtual Terminal in cash displacement.

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## Business Banking

### **“Asia Pacific Private Equity Outlook” – Ernst & Young**

[>> VIEW PDF \(64 PAGES\)](#)

A role-model report: comprehensive, authoritative, detailed, timely, and augmented with a useful history and juxtaposition of Asian PE and a deep dive on Indonesia – the only disappointment is that it is not clear how much value was contributed by Ernst and how much by the M&A specialist publisher Remark.

Key messages include the inexorable growth of Asia, a focus on energy, mining, utilities and consumers; investing in personal relationships to find deals; competition for deals from corporates and as mentioned in another article this month, the rising role of emerging market exchanges for exit.

## Corporate and Institutional Banking

### “Capital Markets in 2025: The Future of Equity Capital Markets” – PWC

[>> VIEW PDF \(15 PAGES\)](#)

Based on a survey of 387 executives (half C-suite) conducted by the Economist Intelligence Unit on behalf of PWC, this article provides empirical support for the inexorable shift of liquidity and listings to Eastern exchanges. Shanghai, India and Brazil will be the big winners provided they continue to improve political, regulatory and legal consistency.

One finding worth noting is “South South”, the surprising idea that three quarters of respondents believe that emerging country companies that list on their home exchange will seek dual listing not in London or New York but in another emerging market exchange.

### “The Emerging Equity Gap: Growth and Stability in the New Investor Landscape” – McKinsey

[>> VIEW PDF \(108 PAGES\)](#)

This is a tome of an article by McKinsey’s Global Institute. It starts in a familiar way by forecasting wealth assets by type across the globe and finds that, not surprisingly, the shift is significantly West to East – 21% today to 37% in 2020. However, the significant difference in asset allocation preferences (towards cash in the East) and the aging Western market’s tradition of buying equities in home markets and reducing equity exposure with age, mean the world will find equity capital increasingly harder to raise. While market forces will drive debt funding and lower equity returns, the authors suggest early action. These include supporting PWC’s recommendations for better exchange regulations in emerging markets; together with revitalising ECM in the west through tax incentives (or elimination of disincentives); and new approaches such as crowdfunded IPOs.

While the executive summary will suffice for most of our readers, many will welcome the good news suggested on Exhibit 22 (major equity cycles over the past 90 years) and the prediction that aggregate bank deposit growth in emerging countries (USD\$24 Trillion) will outstrip that in developing countries (USD\$22 Trillion) by 2020 (Exhibit 28).

## Wealth and Asset Management

### **“Growth in a Time of Uncertainty- The Asset Management Industry in 2015” – McKinsey**

[>> VIEW PDF \(70 PAGES\)](#)

A wonderful, if lengthy, balance of analysis and prescription for the asset management industry. While relying on US analysis, its granularity of growth style messages of deliberately aligning business model investments with growth prospects will resonate with all asset managers.

The report also contains seven predications (see PWC’s article on M&A), and while the selections are unsurprising, the analysis contains unusual levels of quantitative estimation.

One of the year’s must reads for asset managers.

### **“International Pension Plan Survey 2011” – Towers Watson**

[>> VIEW PDF \(5 PAGES\)](#)

An authoritative and unusually fast-growing survey of the similarly fast-growing International Pension Plan Market. This segment of the pension market looks after multi-national employees who cannot remain in their home country market plan.

### **“2012 Financial Services (Wealth/Asset Management) Industry Perspective” – Booz**

[>> VIEW PDF \(5 PAGES\)](#)

In another: *A year in review, so what next?* letter to clients, the North American Wealth partners at Booz capture the key issues for 2012 and the responses for their clients.

This one is much better; the depressing summary of 2011 is mercifully short and the letter is long on strategic ideas and compelling arguments to exploit two trends: weakened competitors and fast-maturing mobile technologies. Well worth a read.

### **“Lighting the Touchpaper: Growing the Market for Social Investment in England- BCG and The Young Foundation”**

[>> VIEW PDF \(31 PAGES\)](#)

The first independent, comprehensive survey of the UK’s social investment industry. While the industry is still emerging, the UK leads the world in this area, with products such as social impact bonds. The report helpfully includes recommended evolution actions as well as more traditional analysis.

Key takeaways include:

- the segment of our industry known as Social Banks (e.g. Unity Trust Bank) is the main (~70%) source of funding; and
- only one third of funds go to the socially oriented, for-profit ventures, the rest go to not-for-profits.

**“Asset Management M&A Insights:  
Navigating Through Stormy Markets” – PWC**

[>> VIEW PDF \(32 PAGES\)](#)

A helpful and timely drill down into one of the key trends for Asset Managers: M&A. Slices and dices approximately 800 deals for each of the past five years by region, country and deal size. Also includes a small amount of analysis of valuations and US-centric regulation.

**“Frontiers in Finance: Defined Contribution Pensions” – KPMG**

[>> VIEW PDF \(12 PAGES\)](#)

Deals with one of the problems posed in our article of the month: the retirement savings gap. A mix of revisited reasons for the gap (we loved the comparison of years of working life to years in retirement between 1960 and 2008, an astonishing reduction from 4.9 to 3.2) and analysis of the pace of change from Defined Benefit Plans to Defined Contribution Plans. Given the challenges faced, it also includes some ideas for policy makers – for which we would strongly refer readers instead to *The Retirement Plan Solution: The Reinvention of Defined Contribution* by Ezra et al.

**“Fund Distribution Strategies in Asia Pacific”  
–Ernst and Young**

[>> VIEW PDF \(8 PAGES\)](#)

A very short, conversational article that will both fill in some gaps and add colour to thoughts on distribution in the Asia Pacific market.

It implicitly makes a great case for more European style integration – in this case a UCITS (Undertakings for Collective Investment in Transferable Securities).

**“Coming of Age: Global Hedge Fund Survey 2011”–Ernst And Young**

[>> VIEW PDF \(40 PAGES\)](#)

A wonderfully refreshing report. Boasting clever prose and clear presentation, this report differentiates itself from the pack in two important ways:

1. It surveys both hedge funds and their investors and reports their responses side by side; and
2. It mercifully skips the “hardy perennials of risk and regulation” to focus on more salient and lesser understood areas such as succession planning and board governance.

It is based on in-depth interviews of 90 hedge fund managers and 40 investors completed by Greenwich Associations. The selected insights which accompany the survey findings indicate that mostly senior team members wrote the report. Unmissable for those in the sector.

## Insurance

### **“The Sprint for the Global Footprint: How Insurers Can Build a Profitable Growth Strategy Through International Expansion” – PWC**

[>> VIEW PDF \(39 PAGES\)](#)

This article consists largely of PPT advertorial for PWC tools and process to help insurance companies realign their portfolio to emerging markets. However, it includes some very solid approach and template slides for those doing it themselves.

Page 9 and 10 are worth a glance for selected retail and commercial trends.

Worthy of accolade is the suggested migration from traditional linear Excel-based forecasting tools to flight simulator-style Systems Dynamics models first popularised by Jay Forrester and Peter Senge.

### **“The Multichannel Imperative for Property and Casualty Insurers in Personal Lines” – McKinsey**

[>> VIEW PDF \(32 PAGES\)](#)

This piece is too long and too focused on the migration from agency to online to be of use to many in developed countries. However, Exhibit 4 (page 9) has an excellent list of best practices in online distribution (for any financial services product).

### **“Motor Insurance – Asia’s Growth Engine” – Ernst & Young**

[>> VIEW PDF \(40 PAGES\)](#)

A beautifully produced report that provides a comprehensive overview of the Asian motor insurance market. Its focus is growth opportunities and an initial look at some of the market-specific factors required for success.

A useful input to any related strategy and portfolio improvement efforts.

### **Global Trends in Life Insurance: Front Office”– Capgemini**

[>> VIEW PDF \(17 PAGES\)](#)

Continuing Capgemini’s new thrust of producing short pieces with a page of analysis and a template-driven approach to key trends, this article highlights four: the case for bancassurance (common in Europe with Portugal leading on 80%); the shift to online channels; software as a service (SAAS); and a surprising drill down on illustration software.

### **“Global Trends in Life Insurance: Claims” – Capgemini**

[>> VIEW PDF \(16 PAGES\)](#)

Capgemini continue their light trends series, this time identifying three key trends in claims management: end-to-end claims management; identifying key performance indicators and increased use of new fraud protection technology. While these appear to be sensible selections, there is very little content in the article to convince the reader.

Another amusing and very apt article cover photograph.

### **“Delivering Results Through Claims Technologies” – Ernst & Young**

[>> VIEW PDF \(48 PAGES\)](#)

A useful synthesis of the key issues and platform upgrade opportunities in the claims management world, generated from 20 in-depth interviews and 100 survey responses from claims and IT executives in Europe.

## **“M&A Trends in Insurance - Developing the Right Footprint in Asia” – KPMG**

[>> VIEW PDF \(12 PAGES\)](#)

This report implies that a new and developing agenda is driving M&A activity in the Asian insurance market.

While activity in the 1990s and early 2000s was driven by geographical expansion in deregulating markets and attempts to secure domestic market share and build specialisation, recent activity points to a greater awareness of the strategic implications associated with entry into a specific market or country. Many insurers have reassessed market importance and divested where the strategic fit was not right. Also, the importance of Southeast Asia as a future growth engine for the industry is leading many insurers to actively pursue opportunities in Indonesia, Malaysia and Thailand.

KPMG expects that future M&A activity will be driven by:

- Increasing regulatory capital requirements
- A drive to secure bancassurance partners and broader distribution channels
- A continuing trend of large insurers in slow-growth domestic markets looking to gain exposure to higher-growth markets across the region
- Japanese insurers playing a more active role in the region, and the emergence of the Korean insurers over the medium term.
- Chinese insurers potentially

- Increased activity from sovereign wealth funds as they look to diversify their exposure to the banking sector

KPMG closes by highlighting the importance of having a clear understanding of your strategic intent, the core assets or capabilities that you are acquiring and how to integrate them, as well as understanding the cultural issues present.

## *Financial Services: Functional Categories*

### **Strategy and Transformation**

#### **“What Really Drives Value in Corporate Responsibility?” – McKinsey**

[>> VIEW PDF \(3 PAGES\)](#)

This article is a McKinsey Quarterly summary of the recently published book *Leveraging Corporate Responsibility: The Stakeholder Route to Maximising Business and Social Value*. The academic authors have empirically tested customer responses to corporate social responsibility (CSR) and derived principles to guide future activity. The prescription for value-creating CSR includes not hiding market motives, serving stakeholders’ true needs, and conducting ongoing testing of progress.

#### **“Finding the Right Place to Start Change” – McKinsey**

[>> VIEW PDF \(5 PAGES\)](#)

This short article from McKinsey’s Italian offices describes a bank transformation with an unusual twist. Distinctively, this organisation-wide transformation began with the single pivotal role of the branch manager and change was not more widely rolled out until the impact at this level was confirmed. The authors identify and seek to generalise the key characteristics of pivotal roles as interconnectedness, influence and direct impact on business results.

#### **“Measuring Industry Digitization: Leaders and Laggards in the Digital Economy” – Booz**

[>> VIEW PDF \(16 PAGES\)](#)

Digitisation is the authors’ shorthand for the set of trends, customer behaviours and technologies for sharing, communicating, analysing and exchanging large amounts of information. The phenomenon is linked by the authors to industry and company growth, and the availability of an EU-wide data set on company adoption of these practices provides the opportunity to analyse and compare companies to understand the drivers and impact of digitisation on national economies, industry sectors and society.

While the leading industries won’t surprise (financial services, computers & electronics, and media & telecommunications), the paper identifies underlying drivers of digitisation and why some industries are gaining traction while others are not. The paper also identifies the fastest changing industries and points out the differences between Central, Southern and Eastern Europe.

**“Identity Crisis: What Is the Corporate Center’s Role in a Globalized Business?” – BCG**

[>> VIEW PDF \(20 PAGES\)](#)

This article builds on a BCG survey of executives to propose a new role for the corporate centre in a globalised business. BCG argues that in response to the increasing polarisation of the global economy into faster-growing rapidly developing economies (RDEs) and slower-growing, mature markets, the activities undertaken by the corporate centre must change; the key challenges are in local knowledge, speed of response, and talent. Case studies and examples illustrate how the role of the centre must be adapted based on sources of competitive advantage and strategy chosen.

**“The World’s Next E-Commerce Superpower: Navigating China’s Unique Online-Shopping Ecosystem” – Boston Consulting**

[>> VIEW PDF \(27 PAGES\)](#)

This weighty report is a fascinating introduction to e-commerce in China. Populated with plenty of data and anecdotes, it provides a snapshot of the current state and predicted future direction of the online market in China. Key differences between China and other markets are identified – including the impact of rapid economic growth, a distinct ecosystem and immaturity of infrastructure (both online and physical). For example, notably, the online market leader Taobao blocks the most popular search engine and has trained consumers out of the habit of relying on search to find products. Entry strategies are profiled and implications identified for different types of potential entrants including brand companies, retailers and e-tailers.



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## **“Organizing for M&A: McKinsey Global Survey results”– McKinsey**

[>> VIEW PDF \(1 PAGE\)](#)

This M&A survey, like many others, notes that M&A remains a necessity for growth and that activity is expected to increase in the next 12 months.

Of interest is the finding that many companies will be looking outside their core business for new ways to grow, as well as focusing more on deals that bring specific strategic advantages such as new geographies, products, or intellectual property.

The article highlights three key points when implementing M&A:

- It is critical to take a systematic and fact-based approach to understanding corporate culture if organisations hope to retain critical people and capabilities after a transaction. Most respondents admit that they do not assign adequate resources, or indeed lack sufficient resources, to manage this complexity;
- More than 1/3 of companies surveyed failed to capture synergies; and
- Companies with standardised teams are more capable of realising value that cuts across functions, especially if they combine this with building M&A playbooks and tool kits, as well as conducting a post-mortem after each deal.

## **“Taking a Longer Term Look at M&A Value Creation”– McKinsey**

[>> VIEW PDF](#)

A comprehensive analysis reveals that across most industries, companies with the right capabilities can succeed with a pattern of smaller deals, but in large deals industry structure plays as much of a role in success as the capabilities of a company and its leadership.

The data confirm that the larger companies get, the more they rely on M&A to grow. Further, companies that complete a larger number of smaller transactions had positive excess returns, while the only companies that had, on average, negative excess returns were those that executed large deals.

Despite the implied guidance of these metrics, the article rightly points out that the most relevant details to successful M&A remain industry structure, the match of an asset with a well-articulated strategy, and the execution capabilities required to realise value.

**“The Mobile Ecosystem in Asia Pacific - Steering Economic and Social Impact Through Mobile Broadband” – AT Kearney**

[>> VIEW PDF \(20 PAGES\)](#)

This article is an industry primer on the mobile broadband industry in Asia Pacific based on a report commissioned by the GSM Association. The paper includes both a rich set of longitudinal data on broadband take-up and quality, as well as conceptual frameworks for understanding the industry and its impact. Markets are clustered into three groups – ‘rising’, ‘nascent’ and ‘mature’ and projections for speed and take-up are provided out to 2015.

## Regulation, Public Affairs and Governance

### **“Evolving Banking Regulation: A Long Journey Ahead” – KPMG**

[>> VIEW PDF \(40 PAGES\)](#)

“30,000 feet”, “broad” and “educational” are words that come to mind as you work your way through this long report. It will be of most use to regulators looking for a high-level landscape update, lobbyists looking for benchmark arguments, or C-suites and board members looking for mega trends.

The section on the break-even point (p 11), where the cumulative impacts and benefits of additional regulation are unlikely to be seen in improved financial stability, is a highlight.

### **“How Banks Should Confront the ‘Living Will’ Challenge to Enable High Performance” – Accenture**

[>> VIEW PDF \(8 PAGES\)](#)

Light in content, heavy in advertorial. Has the bones of a strategy for responding to the requirement for a living will.

### **“Basel III Handbook” – Accenture**

[>> VIEW PDF \(64PAGES\)](#)

“Handbook” is a deceptively ambitious title in consulting. This wonderfully accessible yet comprehensive effort by Accenture is a role model for others. With various levels of structuring, straightforward explanations and a great glossary, its only weakness is its European phraseology.

### **“Risk of Delay- Getting Pillar 3 on Track” – PWC**

[>> VIEW PDF \(7 PAGES\)](#)

Mostly scaremongering by PWC on the onset of Pillar 3 reporting. Subtly makes the important point of building on compliance requirements for business reporting.

While the authors build confidence that they have an authoritative understanding of regulatory reporting requirements, some credibility is lost with Figure 3, which suggests that PWC can help with quick fixes and ‘sticky plasters’.

## Human Capital

### **“Securing the Talent to Succeed” – PWC**

[>> VIEW PDF \(24 PAGES\)](#)

For those in the business, this article is worth trawling for the generous number of core talent management frameworks.

While somewhat accidental, the real message is the impact of the two-speed world on global talent flows. A classic example is the reluctance of steep trajectory developing market executives to spend time at HQ working in no- or slow-growth economies. Unsurprisingly, developed market executives are showing a new willingness to accept local pay conditions to transfer to fast growth, steeper career opportunities.

PWC’s solution is largely the replication of university linkages and other developed world capabilities in these fast growing economies. One newer solution is the replacement of expensive 2-3 year secondment models with ‘project based transfers’.

Less accidentally, the article features a large number of highlighted quotes from senior interviewed clients or target clients – perhaps itself an emerging practice in intellectual capital marketing.

### **“2011/2012 Staying@Work Survey Report: A Pathway to Employee Health and Workplace Productivity” – Towers Watson**

[>> VIEW PDF \(48 PAGES\)](#)

A surprisingly fascinating report that will change the way many people think about corporate responsibility for employee wellbeing and productivity. Don’t dismiss this material as only relevant to jurisdictions with health insurance responsibilities. With two thirds of American’s identifying their health as their number one priority in life, and American and Canadian employers recognising 17% - 27% of payroll costs being health and productivity related, Towers Watson bring to light many practices that are still uncommon in many other parts of the world. At the extreme, these include penalties for not participating in body mass index (BMI) assessments. With compelling case studies and empirical research, those looking for evidence to convince sceptical stakeholders to pursue an innovative cost- and revenue-enhancing programme need look no further.

### **“Bringing Lean to a Skilled Workforce: An Interview with Thierry Pécoud of BNP Paribas” – McKinsey**

[>> VIEW PDF \(5PAGES\)](#)

Risking dismissal as McKinsey project advertorial, this interview delivers confidence and helpful tips to those contemplating a lean transformation in IT and other highly skilled workplaces. The first message is that selection of the lean 'methodology' creates potential for ongoing rather than episodic value, not only in cost reduction and service alignment but also cultural change. The second is the need for one-on-one coaching and other change management tools to help with mindset change in highly educated or 'artisanal' workforces.

## Finance and Risk

### **“Recover, Adapt, Advance: Back to Business in an Uncertain World” – Ernst and Young**

[>> VIEW PDF \(48 PAGES\)](#)

A comprehensive benchmarking of attitudes and activities around risk and its governance from over 30 majors from across the globe. While there is little utility in the attitudes section, peer activity benchmarking can often be a helpful addition to a business case (and the vast majority agree that much more is being invested in risk).

The section on Risk Appetite provides four pages of excellent perspective and two helpful frameworks for those refining or building a risk appetite capability.

### **“Five steps to a more effective global treasury” – McKinsey**

[>> VIEW PDF \(7 PAGES\)](#)

An external expert and two McKinsey staffers synthesise lessons learned from 120 surveys and 50 in-depth interviews with Treasurers and CFOs.

The result is a call for action in five areas: centralisation, stronger governance, better cash flow forecasting, improved systems and management of lazy working capital in emerging markets.

Be warned: the call for action is supported by exaggerated case studies that border on telling tales on clients. Many may choose to be more careful sharing anecdotes next time.

### **“Facing New Realities in Global Banking: Risk Report 2011” – BCG**

[>> VIEW PDF \(34 PAGES\)](#)

An excellent in-depth analysis of the implications for banks’ balance sheets and funding strategies of the new regulatory requirements.

The analysis is based upon a large sample of banks from Europe, the US and Asia-Pacific and contains detailed information on the increasing risk costs incurred by banks and their impact on the sector’s value creation.

It also provides a detailed overview of the new regulatory requirements and the implication of these changes on banks and their products.

A survey of European banks is used as the basis for the analysis of the industry’s response. The best placed are taking an integrated approach.

## **“The Changing Face of Risk Management” – Accenture**

[>> VIEW PDF \(8 PAGES\)](#)

A brief article by the Accenture Risk Management team that, despite its title, focuses on financial institutions and technology. Includes useful insights into new IT challenges caused by decreasing profitability and increasing regulation.

Starts with a number of general, not groundbreaking, Risk Management observations:

- Decreasing profitability and increasing regulatory costs are changing the industry;
- Risk Management will be a differentiator in the industry;
- Chief Risk Officer role will continue to gain importance;
- Technology and organisation is not enough: risk management has to be part of the corporate culture; and
- The increasing complexity of the (risk) environment and the growing demand for high quality financial and risk data require substantial investments in IT.

Thereafter, the article elaborates on the increasing IT requirements and the required changes in the IT infrastructure and includes a graphical overview of the required vertical integration of the data architecture.

It will be of use to those looking for:

- general information regarding the changing risk management environment in FS and;
- more detailed information regarding the consequences of these changes for IT infrastructure.

## **“Trade Risk Management and Controls” – Deloitte**

[>> VIEW PDF \(8 PAGES\)](#)

A high level article from the Deloitte Risk and Capital Management team on trading risk management and controls in relation to “...safeguarding against rogue trader incidents”. Not surprisingly, the focus is more general than specific.

The article focuses heavily on Deloitte’s approach to risk and control assessment. Their view on the “intersection of talent and risk” is, refreshing, and highlights the critical role that cultural and people issues play in both exposing an organisation to, as well as in managing, risks.

## Marketing

### **“Building a Differentiated Service Experience Strategy: Using the Power of Expectation Setting and Customer Choice to Drive High Performance” –Accenture**

[>> VIEW PDF \(16 PAGES\)](#)

A very, very clever article from Accenture that ticks all the boxes: well written; large survey; well-structured analysis; cross-industry; a very timely and relevant topic area; and chock-full of insight.

If you ignore our advice to read it then the keytake-aways are: dare to differentiate the customer experience; give the customer control but don't nickel and dime them; and ensure that self-service channels are much lower priced.

We also think you should steal the line that in the old days one unhappy customer would tell twenty others, now 26% of them get on-line and tell thousands or more!

### **“Social Banking: Social Network Imperative” – Accenture**

[>> VIEW PDF \(12 PAGES\)](#)

Virtually all financial services marketers will be active in social media this year. According to Accenture, most feel unprepared and are overwhelmed by the challenges and associated risks. Targeting this group, this introductory article provides guidance on how to be successful in “social”.

Structured by uses, challenges and methodology, the challenges are particularly well explained. Some good examples demonstrate how to integrate social media into mainstream business activity.

Like many who talk about white space in this new field, Accenture can be excused for forgetting that “social” should be a tool for strategy not the focus of it, nor an end in itself.

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**“What Marketers Say About Working Online:McKinsey Global Survey Results” - McKinsey**

[>> VIEW PDF \(8 PAGES\)](#)

McKinsey’s worldwide survey of 792 marketing executives finds that more analytics and insight is required and that most plan to build capabilities in-house.

According to the survey, after a decade working to integrate digital channels into marketing, the majority of mainstream (non-dotcom) companies still rely heavily on company websites and email for customer interaction. And looking forward, while most marketers expect mobile and social media to play a much larger role, today social media engagement is largely experimental.

We hope the next survey includes questions on the explanation for slow progress – the lack of leadership. Adoption of digital channels requires significant change across the organisation – yet the digital age is too recent a phenomenon for most CEOs to have mastered and integrated into their commercial vision. As members of the digital generation, the coming crop of CEOs should remedy this.

**“How Social Technologies are Extending the Organization” – McKinsey**

[>> VIEW PDF \(10 PAGES\)](#)

The 5<sup>th</sup> annual survey of over four thousand respondents. Don’t expect a taxonomy of technologies or best practice case studies, this is just lightly over-baked survey data showing (mostly) growth trends.

It will be most useful to vendors of enabling technologies and internal consultants assembling background reading.

If you do read it, start with the fine print – Footnote 2 on page 4.

## Technology

### **“McKinsey Global Survey Results” - A Rising Role for IT**

[>> VIEW PDF \(9 PAGES\)](#)

The survey results from 927 senior executives are in and the message is unequivocal: Information Technology is widely expected to surge through 2012, taking an ever-increasing role in driving enterprise strategy, innovation, and operational improvement. No longer confined to cost-reduction and compliance reporting, IT is poised to lead the charge – harnessing the power of analytics, social media, and mobile devices – as a primary growth area for 2012.

Success requires moving beyond an entrenched sacred cow– the notion that decision making on the basis of experience alone (without the advanced analytics support), is sufficient to remain competitive in the face of growing international capabilities – especially as early adopters are already ahead of the curve in Asia and some areas of Europe.

### **"Bring Your Own Device" Shakes Up IT Departments**

[>> VIEW WEB PAGE](#)

The siren song of standardisation – for so long the committed vow of IT departments everywhere – increasingly feels like swimming against the tide. Today, innovative companies have switched tactics and embrace the diverse ‘BYO technology’ mindset of the Facebook generation with pleasingly profitable results.

The approach requires trust and investment in collaboration, however those who achieve it reap the reward of reduced costs, higher availability and a rapidly escalating sophistication in IT capability – grown organically in the places of highest economic return.

## **“Tackling the Roots of Underperformance in Banks' IT” – McKinsey**

[>> VIEW PDF\(7 PAGES\)](#)

An endorsement of Lean Management techniques across the enterprise – and specifically in IT – to ensure better coordination between cost reduction, productivity improvement, and innovation initiatives.

The key steps of this approach are by now quite familiar: standardise work practices, transparency and visibility, streamlining workflows, and enterprise coordination.

Close the gaps between system implementation and business requirements with Model

## **“Sharpening Data Center due Diligence”**

[>> VIEW PDF \(7 PAGES\)](#)

The best technology works so well it remains largely invisible to its users – deeply commendable from an operational perspective, deeply problematic when requesting capex funds for those same "invisible" benefits.

The data centre is a case in point. While delivering nothing new in terms of capabilities, slim improvement in service levels, and with a large price tag, a data centre investment can too easily appear to boards as a white elephant. Yet without it, the company's effective operational life is limited.

This useful article shows how to make the case convincingly, by linking increased capacity to future profit.

## **“Tailoring IT to Global Operations”**

[>> VIEW PDFPAGES](#)

It's all about priorities – rarely do local priorities fit hand-in-glove with global strategy, and rarely does global strategy take into account the best local knowledge.

McKinsey recommends an approach to harmonising the global/local conundrum by putting flexibility into standards, and by bringing standardisation and control to otherwise ad-hoc processes.

Success requires a business-savvy IT executive and workforce, which can alternately drive and facilitate the execution agenda. For some IT managers, this may require a focus on developing and leveraging their people skills in place of their usual reliance on superior technical knowledge.

## Operations

### “Building an Asset in IT: The Offshore Solution for Middle East Banks” – Booz

[>> VIEW PDF \(12 PAGES\)](#)

Progressive CIOs understand the market imperative to swiftly deploy enterprise analytics capability. However too often, the funding for such initiatives lags enterprise demand. One solution is the ODC – offshore development centre – which helps to defray both initial and ongoing costs of analytics deployments, while also speeding economic returns.

While attractive, Booz cautions that such approaches need to be undertaken with a conservative regard for risk management, to alleviate the potential risks of IP leakage, privacy violations, and weakening the security shells around hardened IT infrastructure. As always, relationship is everything.

These challenges, however, are being overcome in the Middle East and elsewhere, driving ODC growth rates to a compounding annual rate of 25%.

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## Strategic Analytics

### “Turning Data into Dollars” – Deloitte

[>> VIEW PDF \(20 PAGES\)](#)

A very likeable article that combines a fascinating but potted history of analytics, the application of analytics to baseball, and the ever increasing displacement of judgement by analytics in most aspects of insurance. Many of the arguments are equally applicable to other business forms – well worth a scan – and motivational briefing material for those embarking on analytics based projects.

### “Analytics: A Powerful Tool for the Life Insurance Industry” – Capgemini

[>> VIEW PDF \(8 PAGES\)](#)

CapGemini present three analytic ideas for achieving superior client segmentation and more efficient CRM – a useful starting point for those evolving their analytics capabilities.

Recognising that new entrants may not have the technical infrastructure to build analytic support tools, CapGemini highlight a low-cost alternative – outsourcing model-building to a partner who will absorb some start-up costs.

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