

May 2015

The . Insights Review

Financial Services Edition

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ICG



Featuring:

- General Strategic Interest
- Retail & Business Banking
- Payments
- Corporate & Institutional Banking
- Wealth & Asset Management

- Insurance
- Strategy & Transformation
- Corporate Finance / M&A
- Regulation & Public Affairs
- Corporate Governance

- Human Capital
- Finance & Risk
- Marketing & Customer Experience
- Technology
- Operations & Change

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About this Report

The Insights Review – Financial Services Edition by ICG presents timely abstract reviews of the most relevant ‘open published’ perspectives and research reports from the world’s leading branded management consulting firms.

This publication 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 review of interest and wish to access the full report, simply follow 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.

Links are current at time of publication.

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
- Capgemini
- Deloitte, Touche & Tohmatsu
- Ernst & Young
- FMCG
- IBM
- KPMG
- McKinsey & Company
- Oliver Wyman
- Promontory
- PwC
- Roland Berger
- Strategy&

A Message From the Editor

The ICG team has saved you a lot of time this month, as quite a good proportion of articles we reviewed miss the mark for our readers. However, there are some pearls of wisdom if you search far and wide – as we do each month to give you the best of the best from the global consulting industry. Congratulations are due to KPMG for its challenging article on evidenced-based HR and to McKinsey for its article on continuous improvement in insurance – worthy joint winners of our Article of the Month.

My editor's picks from this month's issue, by authoring firm, are:

- Accenture – “2015 North America Consumer Digital Banking Survey. Banking Shaped by the Customer”;
- BCG – “Earning Consumer Trust in Big Data: A European Perspective”;
- BCG – “Escaping the Doghouse: Winning in Commoditized Markets”;
- BCG – “Operational Excellence in Retail Banking 2015: Creating Digital Banks with a Human Touch”;
- Capgemini – “World Retail Banking Report 2015”;
- Deloitte – “Wealth Management & Private Banking. Connecting with Clients & Reinventing the Value Proposition”;
- EY – “Rethinking the Treasury Operating Model”;
- EY – “Strengthening Accountability in Banking”;
- KMPG – “Evidence-based HR: The Bridge Between Your People & Delivering Business Strategy” (Article of the Month);
- KMPG – “The Evolving Role of Corporate Development in Banking”;

- McKinsey – “*Building a Culture of Continuous Improvement in Insurance*” (Article of the Month);
- McKinsey – “*Can we Talk? Five Tips for Communicating in Turnarounds*”;
- McKinsey – “*Digital Hives: Creating a Surge Around Change*”;
- McKinsey – “*Toward a New HR Philosophy*”;
- Oliver Wyman – “*Accelerating Emerging Capital Markets Development*”;

We trust you will enjoy this month’s edition and welcome any feedback you may have at: david.moloney@internalconsulting.com.

David Moloney

Global Editor

GENERAL STRATEGIC INTEREST

“The Globally Effective Enterprise” – McKinsey

[View PDF \(9 Pages\)](#)

A helpful insight from a true global practitioner on how bloated and complex global firms can be returned to their former simpler, and locally relevant, self.

The single exhibit is one that all internal consultants and their clients might like to keep as a useful high-level taxonomy of business processes.

Our cynical side asks whether Unilever was a client of McKinsey and whether this author (now an advisor for them) is being co-opted as advertorial fodder. Either way, a useful insight for internal consulting teams.

“The Eight Essentials of Innovation” – McKinsey

[View PDF \(12 Pages\)](#)

A discussion of selected examples and findings from a 2012 survey of 2500 executives in 300 companies on the KSFs and challenges for innovation in large organizations. The survey is a bit dated now and the findings, while well summarized and packaged, contain no new insights. Read this only if you haven't been following the management literature on innovation culture and strategy execution.

“Business & Society in the Coming Decades” – McKinsey

[View PDF \(7 Pages\)](#)

How do you feel good about doing good? This insight suggests you publish it in a McKinsey insight that itself is promoting a McKinsey global initiative on the allocation of capital to long-term goals.

The issue is how you preserve or grow employee and shareholder returns while you do more for the customer and other stakeholders (before the regulator or other societal forces make you). This article provides some obvious starting points, but wouldn't find its way into an ICG Knowledge Area Review (KAR) on the topic.

“Economists: Don't Leave Home Without One” – McKinsey

[View PDF \(6 Pages\)](#)

As a micro-economist at heart, your reviewer was really looking forward to reading this article. The problem is it rambles and delivers some backward-looking, formula-fitting case studies which merely attempt to glamorize the role of an economist or two. Not helping is the revelation that it is advertorial for a new book which is no doubt full of prognostications, a subset of which will do doubt prove to be right.

Little value here for internal consultants, except for those looking for distracting reading on a rainy day.

“The Four Global Forces Breaking All the Trends” – McKinsey

[View PDF \(5 Pages\)](#)

This is a summary by McKinsey authors of their new book *No Ordinary Disruption*. The four global forces – urbanization, technology, aging and globalization – and their impacts would feature in most people’s scenarios for the future. The authors argue the convergence of these forces will have a bigger and faster impact on society than the industrial revolution. They’re probably right, but as an advertisement to go and buy the book, the summary’s not persuasive.

“2015 North America Consumer Digital Banking Survey. Banking Shaped by the Customer” – Accenture

[View PDF \(16 Pages\)](#)

An easy-to-read article that will be of interest to Customer Experience executives and consultants, Accenture’s survey highlights the rapidly growing expectations of digital-savvy consumers, and suggests several actions that banks can take to evolve and protect customer relationships.

There are several insights worth noting. Firstly, 79% of customers consider their primary banking relationship to be transactional rather than advice-driven – a significant increase from previous years, confirming that banks need to develop new, meaningful value-added services, as products become increasingly commoditized. Secondly, banks need to be more focused on the distinctive needs and expectations of Millennial customers, in large part by applying digital technology to offer meaningful experiences that bring new value.

“World Retail Banking Report 2015” – Capgemini

[View PDF \(36 Pages\)](#)

Capgemini’s annual poll of retail banking customers and executives across 32 countries seeks to understand changing customer behaviors and attitudes towards banks. It finds that global customer experience levels are flat compared to last year, as banks scramble to meet ever more demanding consumer expectations.

The early sections provide a lengthy analysis of customer experience trends by region, using Capgemini’s “CEI” index. The time-poor executive looking for fresh insights may skip through to Section 3 for an interesting take on the slow progress of digitization across middle and back office functions compared to front office.

The executives surveyed note that investments across those areas tend to be driven by process simplification and cost reduction rather than customer experience. This is notable in light of Capgemini’s research finding that 60% of customer dissatisfaction emanates from the back office, and that only a small proportion of bank executives are confident that their back office has sufficient agility to adapt to external change.

PAYMENTS

“Payments on the Go: Making Sense of the Evolving Mobile Payments Industry” – PwC

[View PDF \(11 Pages\)](#)

This PwC report provides an overview of the nascent and fragmented U.S. mobile payments industry. On the one hand, it considers why mobile payments have failed to gain much traction – offering a compelling and secure customer proposition, and the lack of universal merchant acceptance being among the main reasons – and on the other it references Forrester Research’s projection that the U.S. mobile payments market will jump from about USD52 billion per annum today to USD142 billion per annum by 2019.

Nothing particularly new for the internal consultant that follows this space, with ICG’s recently launched Global Industry Radar on Retail Payments Innovation a richer source of news on mobile and other emerging payments.

For the curious, the table on page 6 – listing the strengths and limitations of the four main mobile payment wallets in market – is worth a quick skim.

“Rethinking the Treasury Operating Model” – EY

[View PDF \(20 Pages\)](#)

An excellent article by EY, which makes the case for the need for the Corporate Treasury (“treasury”) to evolve from a function in a bank responsible for managing interest rate risk, maturity mismatch and capital and funding strategy, to one that will be required to play a strategic role. The treasury is at the epicenter of a challenging market and regulatory environment and the traditional operating model is no longer fit-for-purpose.

This article will be of relevance and significant value in its clear articulation of the Corporate Treasury landscape and the heavy weather it needs to be able to withstand for all, from experienced treasury practitioners to those that are new to the function.

“Capital Markets 2020: Will it Change For Good?” – PwC

[View PDF \(60 Pages\)](#)

In this weighty paper, PwC sets out a number of scenarios designed to provoke anxiety about the future of capital markets for executives who are either participants (investment banks, broker-dealers, financial market utilities and the like) or users (private equity firms, pension funds, hedge funds other non-bank financial intermediaries and corporates). These include both the extrapolation of four macro trends (global instability, rise of state-directed capitalism, technology-enabled change, and the war for resources) and another seven ‘big disruptors’ – in case the reader was not anxious enough.

In order to calm the reader, the report then sets out six priorities, all of which should be addressed to stay competitive through 2020. None of these are likely to be a surprise, and as the paper says, the material presented “only scratches the surface of these complex issues and solutions” in a further attempt to illicit consulting work.

Notwithstanding the overt marketing communication in this paper, it is a worthwhile read – if a little heavy going – for capital market executives and their consultants seeking to stimulate thinking on their strategy. It does so with a ready set of articulated challenges (the powerful forces relating to regulation, innovation, technology, changing client expectations, stiffer competition, and issues with business and operating models), if not the solutions.

“Accelerating Emerging Capital Markets Development” ***– Oliver Wyman***

[View PDF \(60 Pages\)](#)

This dense report published by the World Economic Forum includes a practical set of recommendations for policy-makers and regulators to consider in the development of their corporate bond markets in emerging economies. It also highlights the opportunities for market participants (e.g. banks, investors, infrastructure, and data providers) to play a supportive role in the development process.

For those new to the bond markets, this will provide some good insight as to the context, challenges, and market impacts. There are also a few figures worth a quick look, viz.: market taxonomy (Figure 3), pillars of stability (Figure 7), ecosystem (Figure 8), evolution of corporate financing (Figure 18), and evolution of capital savings and investment (Figure 19).

WEALTH & ASSET MANAGEMENT

“Nine Key Drivers of Change for the Global Wealth & Asset Management Industry” – EY

[View PDF \(12 Pages\)](#)

EY presents a summary view on key trends transforming the global wealth and asset management industry.

The list of trends ranges far and wide – regulatory changes (MifiD, current US Department of Labor moves on fiduciary duty), M & A activity, pensions, robo-advice, ETFs, and Fixed Income.

Each trend is presented with a simple ‘sound bite’-style description and, in some cases only, a smattering of data to support the assertion of the trend as a key driver of change.

A quick read for wealth executives, but little in the way of real strategic insight on the opportunities or challenges presented by the ‘industry-changing’ trends.

“Wealth Management and Private Banking Connecting with Clients & Reiventing the Value Proposition” – Deloitte

[View PDF \(44 Pages\)](#)

Another article describing the rapidly-evolving wealth management industry and how wealth management firms are facing up to the challenges. This one summarizes survey results of 60 companies ranging from international banks to regional pure plays, and has a particular focus on Europe.

There is very little here that hasn’t been described elsewhere, and usually in much more depth. However, this article is excellent for its full coverage of the issues facing the industry. For this reason, many industry strategists and internal consultants will want to read the executive summary at least (a lengthy read on its own) to ensure their firms are addressing the primary issues. Of course, the challenge for industry leaders is less about the nature of the challenges and opportunities, but rather which to prioritize and how to combine and optimize for their target client segments. Various articles reviewed in past editions of *TIR* tackle some of these issues individually with far more depth.

“What Does It Take to Set Up An Effective ‘Family Office’?” **– BCG**

[View PDF \(5 Pages\)](#)

The design of the family office gets the consultant treatment, with BCG encouraging those charged with setting up family offices to delineate responsibilities, establish governance and measure performance.

Hard to argue against such sensible advice, but the article fails to make the case that family offices today are subject to poor design and/or pay a clear price in the form of sub-optimal performance.

Some interesting points made about the need to clearly define and delineate responsibilities, on what could be a very complex operation – covering a range of services for a diverse portfolio of real and financial assets.

The article also notes the additional roles that some family offices take on, including for example, philanthropic activities and mentoring the younger generation in preparation for their future roles in the family’s business and investment activities.

Business advisors and service providers to family offices may get some useful insights, but this article is unlikely to find much appeal with a broader audience.

INSURANCE

“Claims Management: Taking A Determined Stand Against Insurance Fraud” – McKinsey

[View PDF \(8 Pages\)](#)

An interesting topic for McKinsey, which does not regularly feature in our Wealth & Asset Management reviews. The article is European-focused and centres on fraud in Motor and P&C lines. It is a short read and adequately covers the key reasons for management attention with some well-known yet alarming statistics around possible quantum. The attention to the problem is painted as the key issue, after which the article sets out a McKinsey Fraud management framework with similar focuses to the other main consulting houses.

Whilst a timely reminder for insurance executive teams, the messaging here will likely reinforce current understandings but is unlikely to achieve the call to arms it advocates, given the industry ‘inertia’ currently existing on this issue.

“Building a Culture of Continuous Improvement in Insurance” – McKinsey

[View PDF \(16 Pages\)](#)

This is the best article this month. It focuses on Lean Management disciplines, and whilst based on US work, it does provide some good case examples from UK and South America too (with both Life and Non-Life considerations).

Whilst similar, the key tenets – which have been covered by other houses in the last few months in our reviews – are well set-out with a focus on the organizational leadership criticality. There’s good coverage of real commitment, test and run, celebrating wins, and the need for agility to ensure long-term success.

Realistically, Lean disciplines are not specific to insurance. However, the ways it can help organizations focus on the right stuff – and changes behaviors to allow more responsive customer outcomes – is certainly very much an insurance opportunity to be grasped.

Very useful, given examples for executive teams and ‘food and drink’ to internal consultants working on future-proofing their businesses.

Article of the Month

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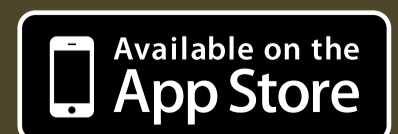
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“Adding It All Up: Modern Rating Systems for P&C Carriers” ***– PwC***

[View PDF \(15 Pages\)](#)

Another US-focused project management view on a little-covered aspect of insurers' needs to keep up with customer and processing needs. There is a good overview of the key issues (with a US bias) and links with the regularly covered Telematics and other more user-based rating engines emergence. The paper then outlines project implementation challenges, but does not really take any new approaches with the key message being around ensuring organizational fit and capability, reducing implementation risks, proper quality assurance and a post-implementation strategy being in place.

This article is likely of more value to internal consultants with its focus more on delivery.

“Escaping the Doghouse: Winning in Commoditized Markets” – BCG

[View PDF \(9 Pages\)](#)

While sceptics (like this reviewer) might initially think this is a rehash of old IP, it is actually a very thoughtful article which outlines two new variables for considering how to respond to a fast commoditizing market: whether you have structural advantage from differentiation, or cost, or whether the market provides dynamic advantage to all players because of market imperfections (such as information asymmetries). This is powerful thinking, so we encourage internal consultants to persist past the tired old case studies and get to the fresh new frameworks – which are only missing the response of developing a platformized business model rather than a segment-driven one.

“How to Beat the Transformation Odds” – McKinsey

[View PDF \(10 Pages\)](#)

A new global survey reminding us that only about a quarter of all transformations achieve success. McKinsey uses 24 variables and finds that while the greater number of ‘best practices’ that are deployed, the more successful the transformation is likely to be, some levers are more important than others. These include: frequent open communication, leaders who are active and involved, and an organization which plans for continuous improvement.

With the success rate so poor and the better practices so well defined, one wonders why more organizations don’t do it themselves with guidance from their internal consulting unit (may we suggest with a synthesized suite of best practices from across the global consulting industry, in a *Knowledge Area Review – KAR* – from ICG).

“Maintaining a Long-Term View During Turnarounds” **– McKinsey**

[View PDF \(5 Pages\)](#)

A new type of insight that starts with an ‘HBR Case Study’-like prologue. It then jumps immediately to the answer and neatly presents four key lessons from McKinsey’s transformation team.

As is often the case, while there is nothing new here, a quick review and reminder could be just what the internal consulting team need to be at the top of their game. The lessons we liked most include: avoid generalized decisions with broad impact (hiring, travel, discretionary expenses, etc.); create a prioritized list of actions ranked by maximum cash in and minimal risk out; don’t be tempted by short-cuts which create other consequences; and continue to invest in people, especially those involved in the turnaround.

“Can We Talk? Five Tips for Communicating to Turnarounds” **– McKinsey**

[View PDF \(5 Pages\)](#)

Short, sharp tips for internal and external comms teams – well worth the read for those embarking on, or already on, a transformation journey. Some of our favorites include: use one narrative across all stakeholders; focus on the mood of your anchor investors; and give the turnaround a name (“brand it”).

“M&A 2014: Return of the Big Deal” – McKinsey

[View PDF \(4 Pages\)](#)

‘We live in strange investment times’ appears to be a theme these days, and this article lends weight to that. The authors report that 2014 appeared to refute many of the beliefs held about M&A.

As with many of these articles, there is the standard statistical breakdown by industry, size, etc. together with speculation as to why this has occurred. The hypotheses are, as you would expect, well-considered... but only time will tell.

“Private-Equity Minority Investments: Can Less Be More?” – BCG

[View PDF \(16 Pages\)](#)

A good summary, with data on recent trends in private equity (PE) deals and the factors behind the growth in deals involving PE funds taking minority positions. It compares these to the more common PE majority control deal, which can cause bidding wars, or cause companies and their owners to not consider PE firms as suitable investors. Whether you are a management team or board looking for a value-adding investor, or a PE fund manager looking to add flexibility to do minority deals where circumstances warrant, this article is worth reading.

“New Private Equity Models: How Should the Interests of Investors & Managers be Aligned?” – EY

[View PDF \(27 Pages\)](#)

The authors consider the benefit of greater regulation to PE in Europe in an attempt to create greater alignment between PE investor and manager. However, in a win for Adam Smith fans, it is the free market that is likely to have the greatest impact.

This is a long article that reads a bit like an academic document. It's a reasonable history read, but it is unlikely to enlighten anyone close to the industry.

“The Evolving Role of Corporate Development in Banking” – KPMG

[View PDF \(24 Pages\)](#)

A summary of findings from a survey of corporate development (aka M&A) teams in 26 large banks. Post-GFC, they've been doing fewer big buy-side deals and more lower risk bolt-ons, as well as more sell-side deals as banks divest non-core assets. Business integration, risk, and regulatory issues are consuming 80% of due diligence time, with only 20% on strategy and growth. Accordingly, the size and skills required of corporate development teams are changing, and they are being tied more closely to the CFO. The article suggests these internal teams are increasingly a core capability and less likely to be outsourced.

An interesting article worth reading if you are a bank executive, or in the business of doing M&A deals with or for banks.

“Earning Consumer Trust in Big Data: A European Perspective” – BCG

[View PDF \(20 Pages\)](#)

The article is a good primer for any internal consulting practitioner looking to understand the issues related to data mining and sharing of customer data with third parties.

The article provides a good overview of current and emerging data protection regulations and is largely focused on Europe, although differences from approaches adopted by the UK and some AsiaPac countries (including Australia) are briefly discussed.

The article also contains some insights regarding European customers’ perceptions about relative importance of different kinds of personal data, their sensitivities about sharing and usage of personal information online, and their attitudes towards companies using their personal data.

“Auditing Estimates: What Will the Future Bring?” – EY

[View PDF \(42 Pages\)](#)

A very technical paper from an EY series of articles published in the Journal of Financial Perspectives.

The article provides an overview of the Solvency II regulations, with particular implications around requirements for sensitivity testing of assumptions relating to evaluation of outcomes of complex models for balance sheet and risk-based capital requirements.

It is a very technical article aimed at auditors. However, the more analytically proficient internal consultants may also find some of the life and general insurance examples provided in the paper worthwhile, providing a useful methodology for stress-testing materiality of sensitivities and assumptions of complex financial models.

“Financial Innovation Oversight: A Policy Framework” – EY

[View PDF \(46 Pages\)](#)

A very long and highly academic insight from an EY series of articles published in the Journal of Financial Perspectives, dealing with policy frameworks for containing the unintended and potentially harmful effects of financial innovation.

The article would be of interest to those internal consultants working on the design of governance and internal policy frameworks, such as the “New Product Committee” (NPC) advocated by the authors, for managing the impact of financial innovation and innovative financial products.

The article is very rich in case studies of innovative financial products such as MMVs, SPVs, structured products and ETFs, along with the pitfalls in assessing their risks. The article lays out a framework of seven possible policy tools to address these, with substantial focus on the internal governance tools – of which NPC is but one of the many options.

Whilst being a comprehensive treatise on managing risks of financial innovation, the article could benefit from clearer focus, and a more coherent argument in support of the NPC.

“Strengthening Accountability in Banking” – EY

[View PDF \(12 Pages\)](#)

A good article from EY providing a comprehensive overview of implications of the new “Strengthening accountability in banking: a new regulation framework for individuals” due to commence in the UK on 7 March 2016.

The article is specific to regulations in the UK, and will be of use to any internal consultant wanting to understand the changes in prescribed responsibilities across Senior Management Functions (SMFs) and Non-executive Directors (NEDs).

The article also provides an overview of the FCA/PRA near-final rules for UK firms (including UK branches of foreign banks), approach to NEDs, and transitional arrangements.

“The Impact of Regulation” ***– McKinsey***

[View PDF \(5 Pages\)](#)

A lucid and well-written article on the importance of striking a balance for regulation of mutual funds in order to create the right incentives and to remove barriers that constrain long-term investment.

The article introduces a very useful framework (page 2) to categorise the impact of regulation on the long-term investments – along the lenses of positive (encourage) and negative (discourage) impact, as well as direct and indirect impact of regulation.

This article is more of an interesting thought piece around relative merits of regulation, and does not provide any insight as to where the regulation might actually be heading.

CORPORATE GOVERNANCE

“Addressing Conduct & Culture Issues in Banking” – EY

[View PDF \(23 Pages\)](#)

A white paper on how banks can improve operational performance through effective corporate governance in British banks, and the culture of the organization as a result. A useful primer on lessons learned and how best to improve accountability throughout the bank.

Most of the paper is common sense, but provides useful reminders for the reader. Your reviewer's only criticism of the paper is that it could have been summarized in 6-8 pages (versus the published 22 pages) without losing the key lessons or useful perspectives.

“2014 Study of CEOs, Governance, & Success. The Value of Getting CEO Success” – Strategy&

[View PDF \(13 Pages\)](#)

The paper provides an overview of how much progress companies have made toward better CEO succession planning, how much value some companies are leaving on the table with poor planning, and the potential value of further improvement. It reads like a sales pitch or press release for consulting services and the analysis is superficial. Not a recommended read.

“Shattering the Boundaries of HR” – Accenture

[View PDF \(5 Pages\)](#)

An insight which brings three ideas to HR which we have seen before, but not together: diffusing talent management throughout the organization; using marketing innovation to drive new employee propositions; and – our favourite – applying a frictionless customer experience approach to the employee experience. We especially liked the arguments requiring more flexible workforce management – an idea at the heart of clients who use ICG’s consulting services.

“There’s No Such Thing as Corporate DNA ” – BCG

[View PDF \(8 Pages\)](#)

BCG’s top brass share their deepest insights. They rightly dismiss the notion of Corporate DNA to focus on three ideas which are BCG’s ‘good to great’ secrets of enduring success:

1. Innovation – note that this is the architectural type as defined by Rebecca Henderson rather than the incremental type applied by their founder Bruce Henderson;
2. Restructuring – which they should have called ‘adaptive or agile business models’; and
3. Growth – being the essential emotional as well as economic lifeblood of longevity.

They finish with a laundry list of aphorisms around each stakeholder group (employees, suppliers, communities, customers etc.), arguing that they are the only enduring asset of the enterprise.

The closing observation is that the only constant is change.

We often like the distilled wisdom of firm elders, but this one misses the mark.

“Getting Beyond Bureaucracy in Human Resources” – McKinsey

[View PDF \(3 Pages\)](#)

McKinsey makes the case for adding more ‘edge’ to the Corporate HR function in three critical areas: identifying talent pools and gaps; ensuring HR compliance; and leadership development programs. While the article maturely suggests that swinging the pendulum from tight to loose can create a new set of problems, the few examples and ideas it provides offer little in the way of a confident path forward – so not especially helpful to internal consulting teams.

“Evidence-based HR: The Bridge Between Your People & Delivering Business Strategy” – KPMG

[View PDF \(32 Pages\)](#)

Compelling insight based on academic input, a large global C-suite survey, and some fascinating work from KPMG’s Global HR Centre for excellence.

Drawing from the slow adoption of evidence in the medical field, KPMG explains some of the factors which may have hindered its evolution (HR data science capabilities low, insufficient resources, or poor expected return), but with some inspiring case studies (see the one from McDonalds on page 21). The result is that the reader is left in no doubt that evidenced-based HR is coming to your organization soon. Highly recommended for all internal consultants and leaders.

Article of the Month

“Toward a New HR Philosophy” – McKinsey

[View PDF \(8 Pages\)](#)

An ex-practitioner and McKinsey alumnus shares his thoughts on how to drive the HR function to be less interventionist and more focused on driving people and organization development, so they can better manage and lead.

Some unusual recommendations supporting the philosophy that managers must own the HR decisions they make, and HR should support them without empire building.

A stimulating insight for internal consultants looking for fresh thinking.

“The Strategist CFO: A Conversation with ADP’s Jan Siegmund” – McKinsey

[View PDF \(5 Pages\)](#)

A short, easy-to-read transcript of an interview with Jan Siegmund, former chief strategy officer and now the CFO at ADP.

The article highlights the increasingly strategic focus and expectations of the CFO role, providing a more strategic focus to an organization rather than just focusing on financial and statutory reporting.

The article may be of particular interest for, and give hope to, any internal consultant or strategist aspiring to the CFO track without going through a more traditional finance, comptroller, or accounting career path.

“Stress Testing & Capital Planning: Principles, Program Elements & Common Challenges” – Capgemini

[View PDF \(8 Pages\)](#)

Thinly concealed brochureware, this article targets the Big Consulting Firm holy grail of identifying a problem that they, of course, are expertly positioned to solve.

The first three sections read somewhat like a job description for the role of a stress testing and capital planning manager, and do not bring any particularly meaningful insights. The real agenda of the piece is highlighted in the statement in the concluding paragraph of Section 3: “In our view, the issues call for an integrated solution platform”. Of course, Section 4 goes on to outline Capgemini’s integrated solution platform.

Perhaps useful reading if you’re new to the field and want a quick introduction to the topic, or for a handy checklist of the key processes involved and the seven principles of the Comprehensive Capital Analysis and Review Program.

“Ditch the Product Pitch: Winning Through Customer-Focused Content” – PwC

[View PDF \(27 Pages\)](#)

Delivering personalized marketing content can help your organization reach the hearts and minds of customers in a measurable and cost-effective way. This article highlights the importance of storytelling for financial institutions in fostering long-term customer loyalty in a media-saturated world, clearly articulating the value of adopting a human-centred approach for organizations struggling to emotionally connect with current and potential customers.

In recent years, financial institutions have embraced the explosion of marketing content through new distribution channels such as social media without understanding how they can best leverage this new age of information for their organization. The infographic found on page seven demonstrates how your organization can improve its operations while becoming more customer-focused, providing a recommended framework of eight capabilities that is discussed in detail from page fourteen onwards.

As human decisions and behaviours are instinctively driven by emotion, this article proposes crafting personalized customer stories as part of your organization’s marketing content. This should be done in order to engage the right audience with the right message, at the right moment and place, to drive favourable customer perceptions and interactions with your brand.

TECHNOLOGY

“Tapping Cloud’s Full Potential” – Bain

[View PDF \(8 Pages\)](#)

Bain encourages us to forget the ‘cup half full’ view... most organizations are only attaining one third of the value of Cloud. Your operating model needs to be recast and not just tinkered with – this includes cyber security threats that need to be taken into account when moving into the Cloud.

A short, direct piece exhorting you to do more with Cloud sooner in order to capture more value from the change.

“Three Promises & Perils of Big Data” – Bain

[View PDF \(8 Pages\)](#)

Does Big Data mean ‘Big Opportunity’ or ‘Big Trouble’? ‘Bigger Data’ rather than Big Data is where you need to start. Once you have gained some benefits, it makes sense to expand the scope into more Bigger Data.

To avoid the same result as many CRM programs, organizations need to understand actual benefits.

The Big Promise may lead to Big Disappointment unless you tackle this with both pragmatism and common sense.

Again, a short and focused article worth a quick read.

“Digital Hives: Creating a Surge Around Change” – McKinsey

[View PDF \(9 Pages\)](#)

Hive or Hype? The concepts detailed all seem worth giving a trial – of course it is not fully tested, but to engage your workforce in Digital Hives has the benefit that it does cross the silos and is all about the customer.

It may well be hype, however to drive change into organizations for a more collective approach – with the customer in mind – is always a good thing.

Good, thought-provoking stuff from McKinsey, easily digestible and with a handy exhibit on designing the digital hive (Exhibit 1).

“Retooling Operations: A Health Check for Financial Institutions” **– A.T. Kearney**

[View PDF \(2 Pages\)](#)

This brief article provides a framework that is a not-very-helpful list of operational buzzwords arrayed in six categories. Take care of your health and give this a miss.

“Operational Excellence in Retail Banking 2015: Creating Digital Banks with a Human Touch” **– BCG**

[View PDF \(19 Pages\)](#)

In this article, BCG coins the term “Bionic Bank”. This is to characterise banks that have made technology investments to streamline processing and create end-to-end digital efficiencies and digital-only customer interfacing for “low end” products, while having the discipline to harvest gains from efficiencies differentially in the back office, and not fully from the front office – i.e. leave some people out front to service customers.

From amongst the selection of 37 banks in their global benchmark sample, BCG concludes the high achievers in digital adoption are the high achievers in financial results (lower cost-to-income), and that digital penetration is as important in the front office (digital channels and customer touch) as in the back office – with some additional advice to trim product portfolios.

The article does a nice job of outlining some of the applications of digital technology and big data analytics in front and back office processing, and provides some well-worn coaching to banks to move to an agile development environment for speed of transformation. The article therefore provides a good review of where leading banks have placed their technology and operational priorities – very encouraging for the operational strategist community amongst internal consultants, as well as their digital strategy counterparts!

“Do Big Banks Have Lower Operating Costs?” – EY

[View PDF \(44 Pages\)](#)

This article is actually authored by personnel from the Federal Reserve Bank of New York as part of their publications series, and focuses on US-based bank holding companies. The paper treats the competing issues of banks being too large to fail (“Today, the four largest firms’ assets represent 50% of GDP...”) and therefore representing systemic risk to the financial system (and accordingly, sentiment towards policies that would have these large banking groups shed assets to become smaller) vs. the notion that these entities drive significant scale economies (as measured by Net Interest Expense or NIE) and the prospect that de-scaling would present an unnecessary economic burden on the US economy. The article concludes, unsurprisingly, that scale does matter – for every \$1b increase in assets, NIE drops by \$1M-2M per year. Because many of these groups are active M&A players, it is also unsurprising that the one area of NIE that moves counter to scale is consulting and advisory services.

The article provides a full description of the study, including background information, data sources, and statistical analyses. However, for internal consultants the key learning is that spend on their external collaborators/competitors is the one area where big banks are not realising scale benefits. The drivers of this should also be of interest: Do external advisors advance the scale ambitions of their clients and therefore participate in a symbiotic growth environment? Or do they provide impetus to continually refine internal costs for a net-net overall benefit? For internal consultants and their perceived effectiveness, the question may be one of eggs vs. bacon.

Reviews of the World's Leading Financial Services Industry Insights

The Insights Review

Financial Services Edition

SPECIAL FEATURE

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ICG



The Best Insights from the Past 12 Months

APRIL 2015

“Global Corporate Banking 2015. The Look of a Winner” – BCG[View PDF \(26 Pages\)](#)

This is an excellent article by BCG and a must read for corporate and business banking executives and their internal consultants. It sets out five waves of disruptive megatrends that are swamping these profit engines for the banks that own them.

The article goes on to make the case for eight - not new - actions that require urgent attention from those with the courage to chart a path to success. On review of these actions readers are highly likely to acknowledge their veracity, so it is worth reflecting that the Corporate Banking sector has been retarded by its traditional business models, which are no longer as fit for purpose as they once were.

If you found this article of relevance to your challenges and seek more in-depth insight, ICG has published a Knowledge Area Review (KAR) on this topic: Innovation in the Business Banking Value Proposition. The brochure can be found [here](#).

MARCH 2015

“Peer Pressure: How Peer-to-peer Lending Platforms are Transforming the Consumer Lending Industry” – PwC[View PDF \(18 Pages\)](#)

An excellent overview of a rapidly emerging finance category predicts that the P2P lending market could grow from \$5 billion to \$150 billion in the US alone within the next 10 years, as it matures and expands into mortgage, business, and other asset classes. The article includes a useful overview of the P2P lending ecosystem, including the role of the various platform participants, the loan origination process flow, and the customer experience.

PwC offers two alternative paths by which banks may respond to the P2P challenge: either through collaboration (as an investor or white label partner) or through competing directly.

This is an important subject handled with balance and insight, and will be of interest to both banking executives and consultants looking for up-to-date perspectives across what may become a key disruptive force across consumer lending.

FEBRUARY 2015

“A 2015 Regulatory Challenge for Banks” – EY

[View PDF \(6 Pages\)](#)

There is a lot to like in this short and pithy article from a global brains trust at EY. It is designed for executives, it gets to the point quickly, it outlines what the key issues are (resolution, capital, and liquidity) and then sets out a CEO- and board-level response agenda with good and well-articulated initiatives. For those looking for a role model insight, this is it.

JANUARY 2015 – DECEMBER 2014

“Are Banks Prepared for a New Turning Point in the Retail Banking Landscape?” – Roland Berger

[View PDF \(8 Pages\)](#)

A helpful insight that provides further evidence of Roland Berger’s continued ascendancy in the global consulting industry. This short article really makes two points: firstly, Roland Berger put a stake in the ground that the turning point is now here; and secondly, it introduces a checklist of strategic consideration presented in a very compelling and neat wheel framework (which already needs some refinement). However, for most internal consulting teams and executives in retail banking, this article provides a helpful reminder with more zeal and panache than the traditional PEST and 5 Forces frameworks.

NOVEMBER 2014

“Consumerized Employee Experiences Can Boost Workforce Productivity”
– Accenture

[View PDF \(17 Pages\)](#)

A fascinating article that explores the simple idea of treating employees in the same way they are treated as consumers by global best-in-class companies. Put another way, Accenture argues for an ‘employee needs-based’ approach to managing shared services, rather than the typical functional silos that characterise most organizations we are familiar with.

From identifying ‘moments that matter’ and leveraging data and analytics through to providing cross-trained ‘enhanced advisors’ to ‘delight employees’, the authors provide several ideas and examples on how to more efficiently and effectively address common employee needs (such as travelling for business, requiring a new computer, or even taking approved time off) using principles of customer-centricity.

Excellent piece with some real thought-provoking case studies – a must read for any forward-thinking human capital practitioner.

OCTOBER 2014

“Evolution & Revolution: How Insurers Stay Relevant in a Digital Future” – BCG

[View PDF \(130 Pages\)](#)

A very substantial Blue Paper collaboration piece based on global analysis by the two firms’ insurance and IT practices, including 56 senior executive interviews across 12 countries. The main text (running to 30-plus pages) is supported by a formidable deep dive of a further 90 pages of excellent material. The executive summary provides a very good quick read to set the scene for the main text and the subsequent deep dive text.

A huge resource featuring excellent case studies, scenarios, and IT vendor profiles all linked in a cohesive way – a must-read for all senior executives involved in future-proofing their organizations.

SEPTEMBER 2014

“Kill Your Performance Ratings” – Strategy&

[View PDF \(12 Pages\)](#)

A thought-provoking and robust “must-read” for any leader or HR Director wanting to create and sustain a high-performance organization. A thorough examination of the evidence is provided in support of the premise that performance rating systems are misleading, cumbersome, complex, and frequently damage the very performance they are intended to improve.

The rather strong statement “If you want a high-performance organization, you have to reverse the destructive effects of conventional performance management” is likely to be somewhat confronting to those many who have been immersed in overseeing and implementing conventional “rank and yank” performance management processes for so long.

At the very least, this paper deserves a thorough read-through (several times, perhaps) with careful attention paid to the ways in which performance rankings trigger adverse reactions in people in relation to all five of the SCARF factors which are posited to have immense effects on negative human reactions: status, certainty, autonomy, relatedness, and fairness.

It is not proposed that the baby be thrown out with the bath water. In transitioning to a no-rating system, two options are put forward as alternatives; structured conversations or guided conversations, and there is some discussion of these approaches and how the HR Department and company can provide a framework, guidance, and possibly training on how managers need to address the key topics to be covered.

For those who might be inclined to dismiss the perspectives offered in this paper out of hand, the challenging statement that “only one person feels neurologically rewarded by the (rate and rank) performance management exercise: the senior executive who oversees it” certainly warrants some introspection.

AUGUST 2014

“The State of the European Banking Industry” – Roland Berger

[View PDF \(42 Pages\)](#)

Wow – this is an exceptional coming of age report for Roland Berger in financial services. Its focus is, of course, Europe, with benchmarking across Europe and occasionally to the US for retail, CIB, and insurance and investments.

Helpfully, the report is in slide format and contains a rich mix of analysis, framing, insight and recommendations. It also tries to coin a new acronym ‘GAFA’ for the combined disruptive power of Google, Amazon, Facebook, and Apple.

Don’t forget the Appendix – we especially liked pages 35 and 36.

Excellent work.

JULY 2014

“Accelerating the Digitization of Business Processes” – McKinsey

[View PDF \(7 Pages\)](#)

A great and easy read on the value, role, and approach to digitization of business processes. Applicable to companies of all sizes and capabilities.

The authors Paul Wilmott and Shahar Markovitch lay out the simple and powerful logic for change and also the radical approaches required to break traditional points of resistance within the idea to implementation flow. Digital initiatives must be set up to be the end-state way of doing business. Therefore, legacy business units must be “rolled-in” to this new way of work – which will eventually absorb the legacy business. This truism will feel counter-intuitive and threatening to many leaders.

JUNE 2014

“Creating Value through Enterprise Risk Management” – Milliman

[View PDF \(20 Pages\)](#)

A North American survey of 125 risk executives has much utility across geographies. It includes some excellent case studies and elaborated capability trajectories to allow internal consulting teams to benchmark their own organization’s approach and determine next steps on topics like risk appetite and risk tolerances.

MAY 2014

“Leveraging Social Media Across the Insurance Lifecycle”
– Capgemini

View PDF (20 Pages)

Following on from an excellent article on Telematics two months back, this is another compelling read on the topical social media explosion. It looks at the massive opportunities already in play and emerging for insurers, but also balances the challenges with the effective execution of strategies given regulatory and other considerations.

The key theme is portrayed as the adopting of ‘social media’ in its many guises as a stage process of ‘presence – participation – integration’. It also provides reality checks and acknowledgment that insurers are mostly on the journey with the key activities still in the presence phase in 2013 (branding building and customer/agent connectivity focused). How social media can be used to improve all parts of the insurance value chain from front to back office and claims are considered in some detail. The ability to build service speed and flexibility, attractiveness to younger customers, and geography removal are all covered too.

The base proposition is this: the insurers who achieve speed from presence to participation to full integration quickly will achieve real differentiation and improved outcomes across all aspects of their businesses.

APRIL 2014

“A New Era of Conduct Supervision: Consequences, Challenges, and Opportunities”
– EY

View PDF (11 Pages)

Another fascinating two-sided dialogue between regulators and senior bank executives from the UK. Conduct supervision is described by one director as the UK’s next great export, which reinforces the tough line taken by the FCA and the authority of these participants to discuss the issues in a way that is helpful to our readers. We suggest this article be followed by a review of PwC’s insight last month (*Behavioural economics: Driving Better Customer Outcomes*) and our editor’s own submission to the Australian FSI.

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The ICG Business Model

ICG is one of the world's fastest growing consulting and project services firms.

We are uniquely positioned to offer clients any permutation of expertise and experience in almost any field, with a level of competence and value that exceeds that of traditional consulting alternatives.

Our business model is consistent with future models of work: it brings together adhocracies (temporary project-based teams that capture opportunities, solve problems, and get results) and facilitates expertise and capacity augmentation. Our model is based on three key tenets: transparency to clients and affiliates; opt-in participation by all stakeholders; and a market-based model to ensure the very highest talent quality supported by a professional association like organization.

Open Architecture Platform

ICG has built an open architecture consulting and project services platform with 5 key planks:

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- **Unbundled Services:** Production, research, project support, event support and more to glue the above four planks together seamlessly with your team.

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Vision: To be the world's leading supplier of unbundled consulting, project services, capability building and professional association in the management consulting industry.

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