

August - September 2013

The . Insights Review

Financial Services Edition

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Featuring:

- General Strategic Interest
- Retail & Business Banking
- Corporate & Institutional Banking
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- Strategy & Transformation
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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
- Booz & Co
- Capgemini
- Deloitte, Touche & Tohmatsu
- Ernst & Young
- FMCG
- IBM
- KPMG
- McKinsey & Company
- Oliver Wyman
- Promontory
- PWC
- Roland Berger

GENERAL STRATEGIC INTEREST

“Where Next?” – PwC

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

An ambitious article that explores the implications for policy makers of a more nimble and successful FS sector on the broader UK economy.

By using its 100-variable simulation model of the UK economy, PwC model two scenarios using differing levels of capital flow-through and efficiency, and variables like business confidence and product innovation. Given the well-established link between FS sector size and broader economic growth, beneficial settings have a disproportionate impact on GDP growth and jobs in and outside the FS sector.

The report has obvious utility as a headline-maker and will win favor from the industry as de facto lobbying of regulators (though some will question utility of the headline “95% of FS products supplied by the industry are FS-related”).

The report could also be useful to public relations functions looking to borrow or reinforce relevant quotes, and economics or strategy teams tasked with finding evidence of linkages between FS-sector performance and beneficial economic outcomes.

“Global Banks Now Need to Transition to Materially Different Business Models” – EY

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

An assemblage of anonymous quotes from an esteemed group of governance experts. While some quotes reveal uninformed board members, others are truly insightful. The report also quotes some important trends and threats, making it worthy reading for executives working in global banks. We distilled the following sample of key insights:

- Impact from consumer protection regulation will likely be greater than prudential regulation
- Asset managers are starting to lend heavily in the US
- Payments profitability is at threat from new entrants not needing a balance sheet
- Cashed-up new generation business models are lending their cash reserves to credit-starved customers
- Alliances.

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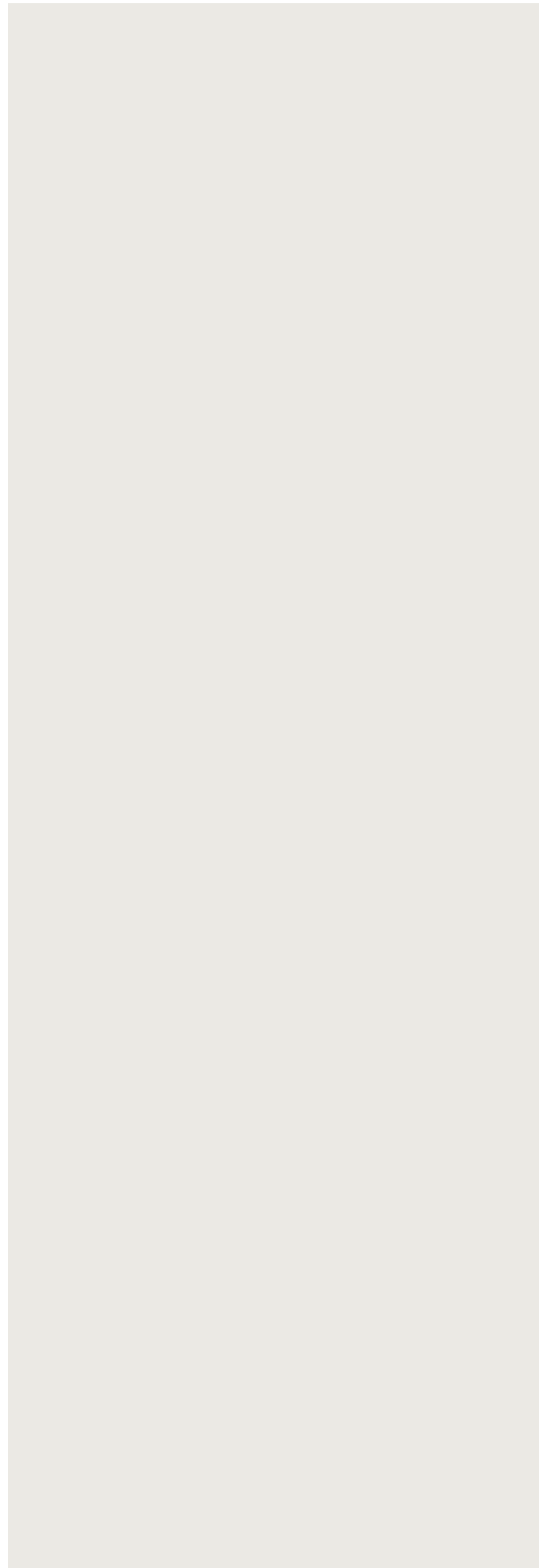
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“What’s Next For the Restructuring of Europe’s Banks?” – McKinsey

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

A timely reminder that the industry is facing a structural lower return. Given this, portfolio restructuring is highlighted as a growth area with FS players considering selling 400-700 of their business lines across Europe. McKinsey highlight domestic roll-ups and well capitalized non European Global Banks as the most likely protagonists.

At only four pages in length, it is worth a quick review.



RETAIL & BUSINESS BANKING

“A Conversation with PayPal Cofounder Max Levchin” – BCG

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

For a change of pace, we include BCG’s recent interview with PayPal cofounder Max Levchin who, since selling his subsequent social networking business to Google, is now focused on developing data-based solutions to health issues.

Of light diversionary value, Levchin reflects generally on entrepreneurialism and presents some interesting insights on the respective roles of humans and computers in creating value through data analytics.

“The 2013 Retail Banking Radar: Cold Front Approaching” – AT Kearney

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

AT Kearney’s gloomy outlook on Europe’s banking sector profitability makes for interesting though unwelcome reading for Europhiles. AT Kearney forecast further uncertain times ahead for European banks, with profitability to continue to struggle through 2013 and into 2014.

Naturally, there are wide differences across regions, with the strongly-performing Nordic banking systems contrasting with the sluggish recovery of Western Europe and the troubled banking systems of several Mediterranean countries. A segment view also indicates contrasting fortunes: real estate remains suppressed and subject to margin-squeeze, deposit balances continue to increase at the expense of investment growth, and retail payments remain largely crisis-resistant.

AT Kearney provide light guidance to banks on how to respond to the ongoing tough climate, notably through focusing on product simplification, operational excellence, and also cleaning up risky loan portfolios.

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“What Lies Beyond the Financial Crisis for UK Retail Banks?” – Bain

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

This is a quick read yet packs a solid punch. As banks look to rebuild in the current tough economic market, they should consider three simple although inter-connected themes. These are: (1) offer simple products with transparent pricing; (2) act quickly on customer feedback and (3) embrace the digital opportunity.

These are hardly new ideas, yet they still resonate and combine well as a “back to basics” program.

“Kicking it up a Notch” – Deloitte

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

When market growth is constrained, financial institutions increase their focus on cross-sell. However, few have been successful – banking customers remain comfortable with holding products across multiple institutions, and have rarely been convinced of the advantages of consolidating.

Deloitte tries to address this pattern of cross-sell underachievement by suggesting that banks consider four user segments: Basic Users, Value Shoppers, Diversifiers and Consolidators – and deliver targeted offers to each based on their needs. For example, loyalty incentives should be offered to value shoppers, however a service-led approach is appropriate for Diversifiers.

The article is well-written and adds a useful perspective to the cross-sell literature, however has a clear blind-spot: it would have benefited from more careful consideration of the internal enablers to successful cross-sell programs, and the institutional barriers that often prevent such programs from succeeding.

“So, You Really Think You’re Customer Focused” – Oliver Wyman

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

Addressing the current trend of retail banks announcing programs around “putting customers at the centre”, Oliver Wyman question whether these initiatives will successfully generate intimacy and trust, and whether they will protect banks from the threat of disintermediation by disruptive and customer-oriented models.

Five key changes are identified, including “from products to needs” and “from cross sell to triggers”. While these will be already familiar concepts to consultants and executives focused on driving customer engagement, the article does present a useful overview of the transformations required. Case studies would also have been a welcome addition.

“Next Best Action: Driving Customer Value Through a Rich and Relevant Multichannel Experience” – Deloitte

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

More sales brochure than article, Deloitte outlines its program for assisting companies to drive sales and retention through propensity modelling and real-time decisioning based on big data. This is a cutting edge field, however you won’t find any insights in this piece. One to skip.

“The World of the Depositary Bank is Changing Due to Increased Regulation” – Deloitte

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

Only of relevance to those with a strong interest in Custodianship and Trusteeship, this article explains the original and hybrid European version called the Depositaire, and the relevant evolution of regulation in Europe.

“Corporate and Investment Banks Outlook Summer 2013: Learning to Prosper in a Continuously Uncertain World” – Roland Berger

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

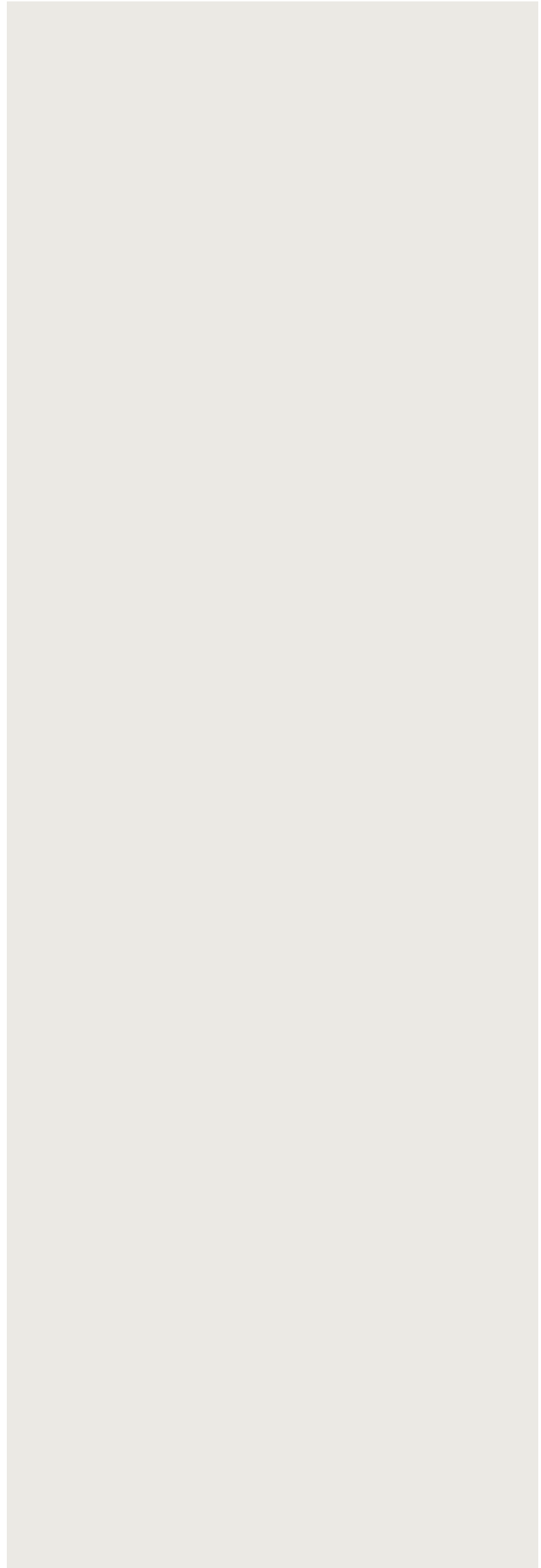
This report provides a useful analysis of the size, breakdown and trends of the CIB business by time, region and CIB business. The charts are clear but somewhat scant, and the commentary can at times appear rudimentary.

The paper finishes with a helpful framework on how four archetype (extreme) business models might evolve across both product (category killer to niche specialist) and customer (solution builder and trusted advisor) focused banks. Interestingly and rare for FS articles, the framework includes non-FS examples to illustrate the archetypes.

“Top 10 Hot Topics for 2013” – Deloitte

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

A laundry list designed to catch-all in the US. We weren't caught by the article, but slowed down to read a paragraph on the renewed focus on leveraged lending and increased cyber threats.



WEALTH & ASSET MANAGEMENT

“Generation D: Beyond Trust – Delivering Superior Client Experiences” – Accenture

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

Accenture provide a viewpoint that a superior client experience is better enabled by new digital and social technologies, and that this is ‘in tune’ with the needs and preferences of a growing, cross-generational, ‘digital savvy’ segment.

Not much new in customer relationship management is presented here, and the theme of technology-enabled interaction and data-driven analytics as the (primary) way to improve the client experience is ever present – unsurprisingly, perhaps, from a global technology services company.

“Global Asset Management 2013: Capitalizing on the Recovery” – BCG

[View PDF \(29 Pages\)](#)

BCG presents its eleventh annual study of the industry, with a more upbeat theme of a return to (modest) growth.

The study highlights the challenges to profitably managing the traditional actively-managed core asset class in the face of both market volatility and the market evolution toward newer and faster-growing asset classes (see Exhibit 6).

Plenty here for Asset Management CEOs and their management teams to digest – the argument to get a long-term strategy in place to address the market changes is well put.

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“Second Generation Outsourcing in the Asset Management Industry” – EY

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

A useful ‘quick study’ of current outsourcing market developments in the asset management industry.

Points out an emerging trend to outsource middle office functions, alongside the traditional areas for outsourcing: custodians and fund accounting providers.

The article’s argument would benefit from some analysis to show the economics that frame the decision to retain, outsource, or switch providers.

“The McKinsey Global Private Banking Survey 2013” – McKinsey

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

McKinsey provide a comprehensive update on global private banking trends across the developed and emerging markets.

The shift in the growth in global millionaire wealth between the developed and emerging markets is well described, including the implications for profit pools in each market (Exhibit 3).

Performance remains challenging for private banks in all markets and the article makes a case for fundamental change, including better business disciplines, rethinking operating models, and addressing the needs of a new generation of clients through better segmentation.

Private Banking CEOs and Global Strategy Heads will have to work through the long list of suggested initiatives and then convince others to act, with more justification than what is provided here.

“Insurance Tech Trends 2013” – Deloitte

[View PDF \(95 Pages\)](#)

This article boldly quotes Leonardo Da Vinci: “simplicity is the ultimate form of sophistication”. Great advice but subsequently ignored, with the gems in this report difficult to extract.

An example is the section on Telematics. Having followed the subject with interest, we were eagerly anticipating some new insights. While it was good to read about the efforts of Progressive, Allstate and Farmers, there is little thinking offered about how this might evolve, other than “the time to act is now”. But wait – Forrester said that about Telematics in 1998.

It seems, to this humble reviewer, that telematics offers rich opportunities for car and device manufacturers to distribute insurance in new and interesting ways. Surely the target market for this report – the insurance manufacturer CIO – might be interested in that?

“Riding the Ageing Asian Tiger and Dragon” – EY

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

EY’s short-form view of the opportunity for Life Insurers in Asia serves as a good reminder, however raises many questions in this reader’s mind.

Yes, China is big and an opportunity for pensions providers – but is it really a big opportunity right now? A key driver of the pension opportunity in Asia is a functioning private pension infrastructure that encourages open participation, a point underrepresented in this report.

Given the uncertainty of how the Asian pension opportunity is going to unfold, a better approach would have been to develop scenarios for each major country to determine the potential for action.

Perhaps a better title would have been “Tigers exist, Dragons might just be make believe”?

“Welcome to the Consumer: How Insurers can Heed the Voice of Customers, Rethink Relationships & Embrace Innovation to Drive Profitability & Market Leadership” – EY

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

The one key insight from what is largely a marketing brochure for EY is based on their survey of 24,000 consumers in 23 countries. It revealed that customers felt their insurers could do more to keep their business – not surprising given the industry’s relatively low focus on retention.

The remainder of the article outlines EY’s point of view on driving growth through customer centricity. Nothing particularly insightful offered here.

“The Power of Change: 8 Steps for Success in Insurance Operations Transformation” – EY

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

“Investing in Organizational Change Management is no longer an option for most organizations”. Bunkum.

This is not an insurance-specific article, despite what the title may suggest; it is a thinly veiled sales brochure for EY’s change management practice. If I may suggest it, the key challenge with change management consulting is twofold:

- Firstly, very few change management consultants have ever been accountable for delivering end-to-end transformation;
- Secondly, really good leaders of change don’t need their help, and bad ones don’t understand they need it and will likely fail even if they do have it.

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“Insurance Banana Skins 2013” – PwC

[View PDF \(43 Pages\)](#)

Hard going and aptly named. This report examines the risks facing the industry and future trends, and includes insights from over 660 insurers, regulators, and close observers of the industry across 54 countries.

Like last year’s report, regulation is once again the number one risk. A fragile economic environment and subdued investment performance also remain high on the list of concerns.

You will have seen that a key theme of other articles reviewed this month is customer focus. This, however, is not a focus of this CSFI report. For example, lack of innovation makes a humble entrance at Risk #13. The report offers a very inside-out view of the world, one that focuses too heavily on short-term issues and misses the more far-reaching threats and opportunities coming up over the horizon – that is this reviewer’s definition of a really big banana skin.

“Insurance 2020: Unleashing the Value From Values” – PwC

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

So, you’ve developed a new customer strategy for the organization. However, if people think and act in the same way they have always done, then there is little chance of the strategy being a success.

There – we’ve just saved you from having to read this somewhat lengthy report focused on culture, more specifically ensuring that behavioural changes occur to support a new strategy.

While PwC’s point is valid and a useful reminder of how important behavioural norms are in creating a high performing organization, there is little in this article that provides new insight. It would have been beneficial to at least provide a real example; instead, they provide a fictional one.

Post the GFC, behavioural norms are now an area that even regulators believe are important. Understanding how to achieve cultural change is an important part of every strategy and change professional’s toolkit. This article doesn’t do enough to meaningfully tackle this subject.

“The Digital Insurer: Delivering Exceptional Customer Experiences” – Accenture

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

With price comparisons online made so easy, Accenture argues that it is the total customer experience that is really important, but also where insurance companies are not yet delivering. Two-thirds of customers Accenture surveyed said it was very important for their insurer to provide clear and easy-to-understand information on their policies, yet only 27 percent of respondents said they were very satisfied with their insurers' efforts to do so. Poor customer experience drives up the propensity to switch, therefore it is an important topic for insurers.

So what? This is an example of less-than-insightful writing on the subject of customer experience.

One of the case studies describes how a US insurer is using a tablet app to support their agent sales force. While hardly revolutionary, it does – perhaps sadly – represent a notable move forward for the insurance industry that generally lags other sectors in adopting new technology.

A far better article from Accenture – though not specific to insurance companies – is *Maximizing Customer Retention: A Strategic Approach to Effective Churn Management*. An even better read on the subject is McKinsey's article in the Harvard Business Review this month entitled *“The Truth About Customer Experience”*. If you only read two articles this month read this one from McKinsey and the Bain article that follows.

“Why it Pays for P&C Insurers to Earn Their Customers' Intense Loyalty” – Bain

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

Insurance companies worldwide are in the process of adopting a range of customer-focused strategies. In our May/June report, we reviewed the McKinsey article *Beyond Price: The Rise of Customer-Centric Marketing in Insurance*. Starting from a similar theme – price-based competition – Bain take a different approach to value creation, based on creating advocates through exceptional service.

For one major US P&C insurer, an advocate is worth twice a passive promoter and more than five times a detractor. This mirrors findings in a related cross-industry Bain article also published this month: *The powerful economics of customer loyalty in Australia*.

Two other interesting insights are:

1. Firstly, insurers may have opportunities in secondary channels, as these often have less focus and disappoint consumers. Examples of firms taking action are Geico (mostly direct sales) who is adding agents, while Allstate and State Farm (mostly agent sales) are bolstering their online channel capabilities; and
2. Secondly, customers who claim have greater advocacy but also different moments of truth to those who don't claim.

Some great insights here – factual with real strategic lift, making it the best article of this month by far.

Article of the Month

“Big Data 2.0” – Deloitte

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

Big Data is no longer an IT issue. Rather, it is becoming a core pillar of determining and driving the implementation of strategy. This Deloitte article investigates the evolution of Big Data. This is especially timely for our Australian readers in the context of Woolworths' acquisition of analytics firm Quantum, and the major banks all utilizing Big Data to deepen customer relationships.

The authors argue that the role of Big Data should not only be seen as using data to improve “efficiency and operations” and “answering new questions in existing business” to drive growth, but also looking at new opportunities in new businesses to redefine industries or disrupt traditional business models.

A good article on a topic of increasing interest to many of our readers.

“Five Growth Strategies that Businesses Need to Re-Learn” – BCG

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

As companies move away from playing it safe managing for cash and the bottom line, BCG provides strong insight on Five Growth Strategies that need a renewed focus:

1. Profitable Growth
2. A Lean and Efficient Organization
3. Adaptability
4. Physical and Virtual Connections to Customers
5. Long Term Thinking.

Skip the introduction with its well-worn assertions that the balance of economic power is moving East – nothing new here – and find the real value in the perspectives on the above five strategies.

“The Paths to Great Repeatable Models” – Bain

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

It is essential to review the briefing of James Allen and Chris Zook from Bain & Co., who originally wrote the industry-leading *Profit from the Core*. In this piece, they investigate how, as companies grow and achieve scale, they lose the “founder’s mentality” which was the very thing that helped them originally succeed. The article then focuses on how they can re-discover this through creative partnerships with new insurgents.

While part advertorial for Bain, there’s enough value in here to make it recommended reading.

“M&A as Competitive Advantage” – McKinsey

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

While making the somewhat obvious point that the more you focus on something, the better you become at it, this article does provide four key institutional capabilities to enable managers to build a competitive advantage in M&A.

In adding value to some well-trodden ground on M&A strategy, the article also introduces a number of new points for consideration, delivering a concise article that is well worth the read.

“The Merger Endgame Revisited” – AT Kearney

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

This is an interesting article providing a summary of the industry consolidation lifecycle, with useful references and some handy frameworks for considering your industry.

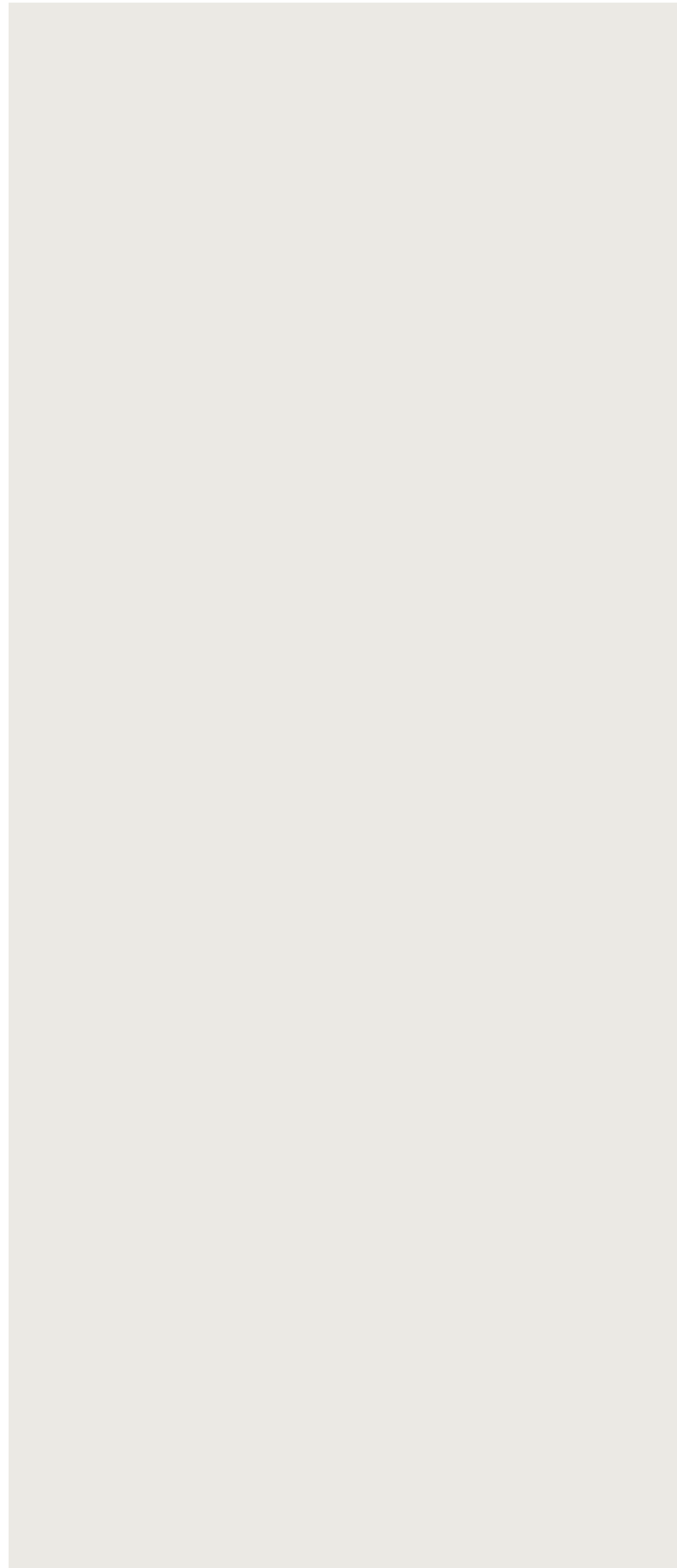
Unfortunately though, the article comes across more as an advertisement of the authors' proprietary methodology for Merger Endgame determination, than it does a genuine thought-provoking piece.

“Three Steps to a More Productive Earnings Call” – McKinsey

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

Some noteworthy thought here on how companies can improve the value of quarterly earnings calls.

However, it would be more helpful if it included some empirical facts to support these thoughts, bringing in the views of both analysts and listed companies.



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“Liquidity Risk Management and the Regulatory Environment” **– Accenture**

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

An insight that helpfully explains the very basics of liquidity management, including LCR (Liquidity Coverage Ratio) and NSFR (Net Stable Funding Ratio) and the broader implication of Basel III. It also includes an implementation framework and checklist (page 7) which could be helpful to board members and others who are new to the field. For those who work in risk or those that interface with Promontory or Oliver Wyman, this is one to skip.

“Improving Board Governance: McKinsey Global Survey Results” **– McKinsey**

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

The short follow-up to last year’s fascinating survey. Some of the messages have stayed the same – especially the need for more time required by board members to create high impact (in support McKinsey point to a correlation between these two reported factors). The highlights include the need to pay more attention to risk and secondly to learn (presumably through McKinsey) how peers do it better. Mentioned ideas include robust MIS, Project Reviews, and a systematic approach to M&A.

“Living Wills: Global Resolution Remains a Reach” – PwC

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

A helpful-sounding update on the Financial Stability Board’s effort to coordinate global standards on recovery and resolution. While not law, this guidance will help larger institutions prepare for evolving requirements for plans from their local and global regulators. As the link was broken at time of publication, you will need to contact PwC for the full abstract.

“Moving Beyond Regulatory Compliance in Stress Testing” – Promontory

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

A very helpful reminder of the importance and increased role of stress testing. The article is well written and summarizes key regulations, including a useful timeline and a very elegant framework (page 7) which shows how stress testing should be integrated into an overall risk governance, management and decision-making capability.

“The Future Targets or Outcomes of HR Work: Individuals, Organizations and Leadership” – Accenture

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

This is an Accenture- and Oracle-sponsored white paper delving into three key outcomes of the work HR departments do to support winning strategies, namely: productive individuals, capable team-oriented organizations and strong leadership.

A nice, short article that will help senior HR professionals see their work in the context of supporting overall strategy – in particular a list of the key elements (with some useful frameworks) that have the most leverage in executive table conversations.

“Corporate Universities: An Engine for Human Capital” – BCG

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

BCG conducted a study surveying 23 organizations to identify trends and best practices in the area of building corporate universities, a strategy many organizations are employing to address shrinking talent pools. The paper identifies six key building blocks as well as seven key success factors.

A very specific topic, however overall a good read if your organization is pondering in-sourcing some or all of its talent development programs, with some helpful case studies to underline key points. Equally useful if your organization has already done so but questions of overall effectiveness persist.

“Global Human Capital Trends 2013: Resetting Horizons” ***– Deloitte***

[View PDF \(88 Pages\)](#)

This report identifies the top 13 trends driving Human Capital, with an 8 page Australian-centric forward document also available. Deloitte surveyed 1300 businesses and their HR professionals from 59 countries. They then divide the trends into two categories: ‘exploration’, which focuses on carving new paths forward, and ‘execution’, which challenges how strategies are being executed today.

Unsurprisingly, the top two trends are around developing leaders/succession planning and sustaining employee engagement. The comprehensiveness of the report is impressive and, for that reason alone, merits a read by any serious Human Capital practitioner. However, the report is unfortunately light on tangible examples and case studies of companies who are executing well against these trends.

“The Right Stuff: How Financial Services Institutions Can Use Talent Assessments to Improve Returns on Human Capital” ***– PwC***

[View PDF \(35 Pages\)](#)

The conclusion of this PwC paper is a simple one, namely that business strategy should drive talent strategy, particularly when talent shortages abound for key positions within financial services institutions. Sensibly, PwC advocates using a competency-based approach to skill identification across an organization, which should then be embedded within a broader talent assessment framework.

Refreshingly, the article goes through this framework step-by-step in a good amount of detail with illustrative ‘snapshots’ of key deliverables.

Without question a sales brochure for consulting services, it is nevertheless a useful reminder of the power of competency-based assessments and the key ingredients of a talent management framework for any organization.

“European Banking: Striking the Right Balance Between Risk and Return” – Bain

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

In days of yore, when this reviewer was a tutor for a professional association, he would have to remind himself to write words of encouragement rather than criticism for students – the poorer the effort, the more the encouragement.

So consider this review to be very encouraging indeed.

There is some good content, in the charts and graphs comparing Euro-bank performance measured by Return on Risk-Weighted Assets (RoRWA). But Bain push hard the concept that RoRWA is itself a good measure of risk, and, it would seem, largely on the grounds that this is the measure most of their clients are using.

This is called making a virtue out of necessity. RWA is a key driver of bank capital, but it is emphatically not a measure that reveals the “cost efficiency per unit of risk”, nor a benchmark to reveal the risk adjusted effect of cross-selling, or of loan loss provisioning, all claims made for it here.

Bain note that banks in high growth countries do well on RoRWA measures, but pity poor Spain, Greece and Ireland. Of course, a few years ago banks in these countries would have excelled on a RoRWA measure. See the problem?

Economic capital is of course no longer adequate as a risk measure, and many banks are busy re-engineering their models to have appropriate views of systemic risk and business risks (e.g. high growth, or growth in new markets). While we’re waiting, RoRWA is a bit like the pig in Babe. It’ll do.

“Emerging Risk Management: Adding Bounce to the Crystal Ball” – Capgemini

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

Starting with a favourite quote from Donald Rumsfeld, this review and primer on emerging risk identification and assessment makes valuable and entertaining reading.

To illustrate the principles, the authors use data from the World Economic Forum Global Risks Report, which survey over time the most likely and impactful “black swan” events, separated into economic, geopolitical, environmental, and other risk areas.

In passing, the WEF data is informative in itself. It is striking how the views of risk have changed (and washed back and forth) over the last several years. In 2011, none of the top five risks by likelihood were economic in nature, yet in every other year, two or three economic risks made the grade. And can environmental risks really only have made the grade (in likelihood terms) in the last 3 years?

There’s something here about how not to be swayed by fashion, relating back to key causal factors to enable consistency of viewpoint (which is indeed one of the points made later on).

The meat of the document lies in the sections on understanding and mapping the inter-connectedness of potential risks, and in implementing a concerted response. How much, and how, should an organization invest in its sustainability, and in the sustainability of its “life-support” systems? No answers, of course, but good pointers on how to get on with the challenge.

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“Global Risk Management Survey, Eighth Edition” – Deloitte

[View PDF \(48 Pages\)](#)

It's difficult to review Deloitte's survey of their global FS client base at a high level and make it sound interesting, as its conclusions spring no surprises:

- An increasing role for CROs
- Continuing response to regulatory change
- Development emphasis on liquidity, counterpart and systemic risk, and stress tests.

In the detail, however, (noting the document runs to 48 pages) there is plenty to get excited about. Nuggets of information abound – for example, that US banks are far better prepared for a Eurozone breakup than their global peers.

The section on risk governance should be singled out for its excellent précis on the responsibilities of the CRO, the changing role and involvement of Board Risk committees, and Board coordination of effort among its many committees.

Later sections cover ERM and risk reporting, regulatory and economic capital, a survey of issues within key risk types, and systems and infrastructure challenges. Recommended reading.

“Risk Appetite Frameworks: How to Spot the Genuine Article” – Deloitte

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

Risk appetite frameworks are, I think, emerging from a difficult toddlerhood. At least, gone are the days of fuzzy imprecision and the overuse of a sort of “risk mysticism” to convey its key concepts – balancing risk capacity against risk tolerance, while reciting Thomas Hardy's *Return of the Native*, that sort of thing. Risk appetite frameworks these days are relatively concrete, supported by dashboards, and feeding to real operational and business decisions. But there is still much to do in terms of its core objectives: to truly engage risk with strategic planning and enable risk thinking throughout the organization.

Intriguingly, then, in this paper Deloitte review where we have got to on risk appetite frameworks, promising early on to tell us how to recognise the good ones. Once we get past the introductory sections (with still a little risk mysticism present, but leavened by worthwhile real-life illustrations) we get to sections titled “What Good looks like” and “How to spot a Genuine Risk Appetite Framework”. For many organizations, this would still produce sobering reflection.

Gosh it's all good stuff, showing how far we have come. More importantly, it shows where we are going; and most importantly, it provides the inspiration to continue.

“The RE-banking Revolution: Innovative Practices for Banks to Improve Customer Engagement” – Accenture

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

There is a lot to like in this short article. It does an excellent job of summarizing the customer engagement agenda into a framework and relevant priorities. It supports this with an empirical approach to its development and lots of good case studies from outside the FS industry. If it is to be believed as business as usual, the Burberry example of immediate presentation of customer history on iPads when they walk in the store is a powerful reminder of how far our industry is behind mainstream retailers.

“Customer-centricity in Financial Services Goes Digital” – BCG

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

An example of BCG becoming a 24/7 news-like content provider here and re-packaging content from related articles. BCG-TV anyone? Worth clicking through for the seminal framework correctly attributed to MIT on Content: What is consumed; Experience: How is it packaged; and Platform: How is it delivered.

We also like a well articulated argument that the nature (form, cadence, type) of customer interactions has been determined by legacy operations systems, not by the desire of the customer nor the supplier – this is getting to a concept first pioneered by Oliver Wyman that they called ‘pressure point optimization for customer sales processes’.

The article also deep dives on USAA – another classic MIT case study handed over from Rockart to Weil – a military affinity play that, because of its customer’s global mobility, has to be about the best at direct in the world.

“Peter Weill on Digitally Driven Customer-centricity” – BCG

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

A short interview with the Chairman of the Center of Information Systems Research at MIT on digitally-driven FS. While some points – like deploying manufacturing sector-like industrialization capability – are better known, a few caught our attention: USAA putting a customer experience group, organized by life events, between the customer and the product groups; and 7-11 Japan empowering franchise operators to use local weather, event and other knowledge to predict micro adjustments to purchasing behaviour, so adjusting supplies and providing feedback on accuracy.

Short and worth the read, if only to gain further insight on the above two examples.

“Six Steps to Achieving Competitive Advantage Through Cost Excellence” – BCG

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

BCG begins this article with a clear hypothesis that companies with lower cost structures and a culture of sustainable cost reduction (inputs and outputs) create more value (TSR). While true in many mature industries, this ignores growth, innovation and cash generation (topics BCG expounds upon nicely in other papers).

The rest of the article is a pithy and practical set of stories organized around the central tenets of change management, but applied to the activity and tools required to embed a cost management discipline.

Best to pass on this one.

“Break out from the G&A cost treadmill” – Bain

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

An insightful and relevant article describing the current business landscape, where companies over the last few years have been aggressively reducing their G&A expenses. However, despite the best effort of the various support functions, the authors make the case that those measures do not translate into higher satisfaction among business leaders. The article provides a useful framework addressing effectiveness and efficiency levers, while providing empirical evidence as well as improvement benefits benchmarks.

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“Insurance Analytics Methodology” ***– EY***

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When EY tracks the progress of Data Analytics projects in insurance, it finds success impeded by several common factors. The unifying thread is user and stakeholder resistance, driven by a perceived gap between business imperatives and technology solutions. Here, EY offer a list of fairly basic questions designed to reality-check an implementation before strategies are fixed and money spent. No game changing insights here, but instead a solid framework for those who like to methodically check all the boxes.

“Who Should Own Big Data?” ***– Booz***

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

Addresses a frequent question which arises whenever data initiatives are mooted: who is in charge of the strategy, and who really owns and controls the data? The contestants generally come from two familiar camps: executives from marketing and product development in one corner, and the IT boffins in the other. Booz do not come down on one side or the other, but instead offer advice on how the two groups might work together to best achieve enterprise outcomes. However, the advice falls short of marshalling convincing arguments or incentives for either side to give up their struggle for control.

“The Age of Digital Ecosystems: Thriving in a World of Big Data” – BCG

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

Highlights the role of ecosystem platforms (such as those provided by Apple and Google) in creating the digital device economy, and advises that a thorough understanding of the inherent business potential is essential for future strategy. The “connected digital home of the future” plays a central role in the narrative, however the reality of that vision is still safely some time away in the opinion of this reviewer.

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