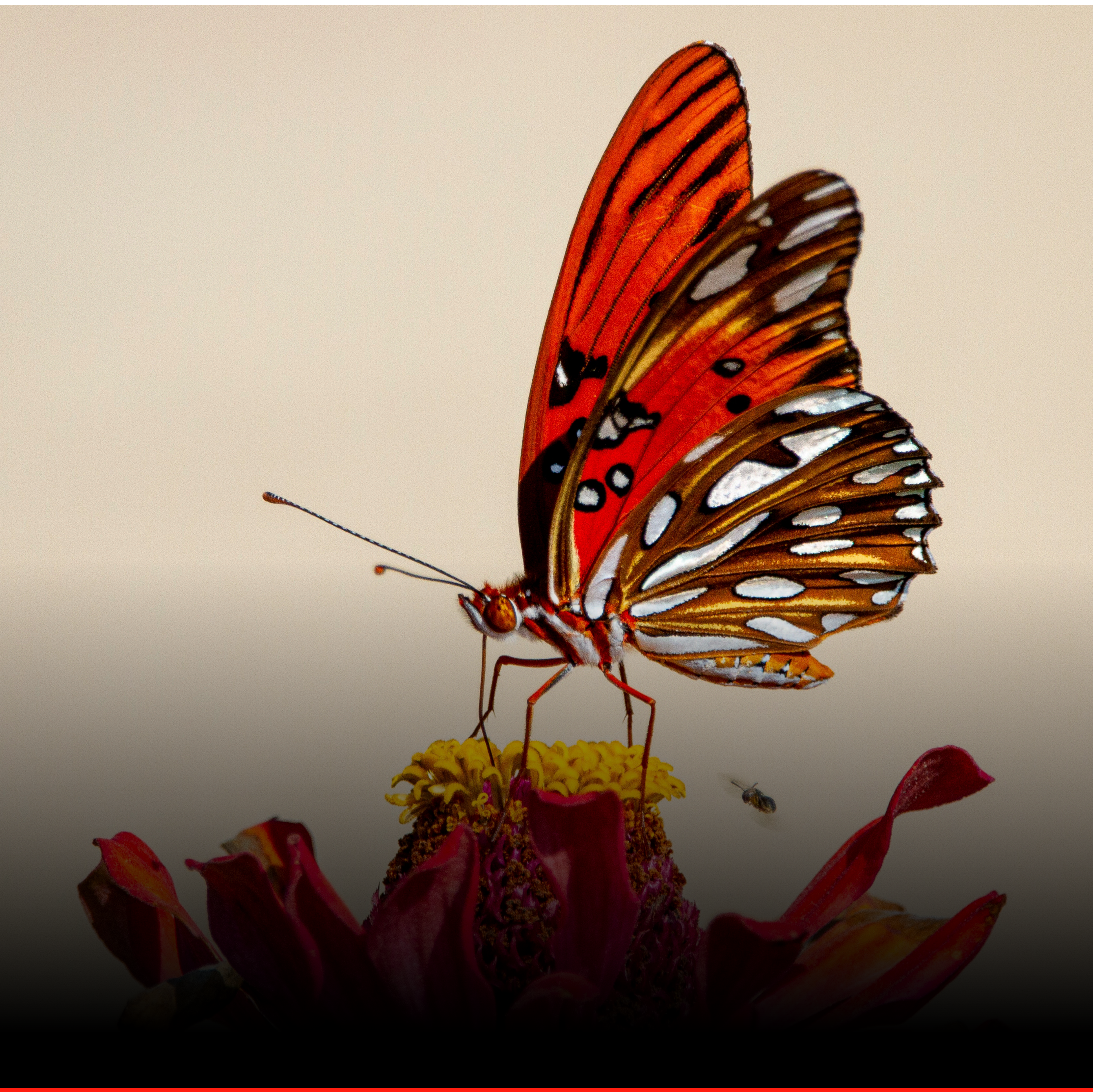

Digital Disruption in Financial Services:

HOW TO MANAGE CHANGE

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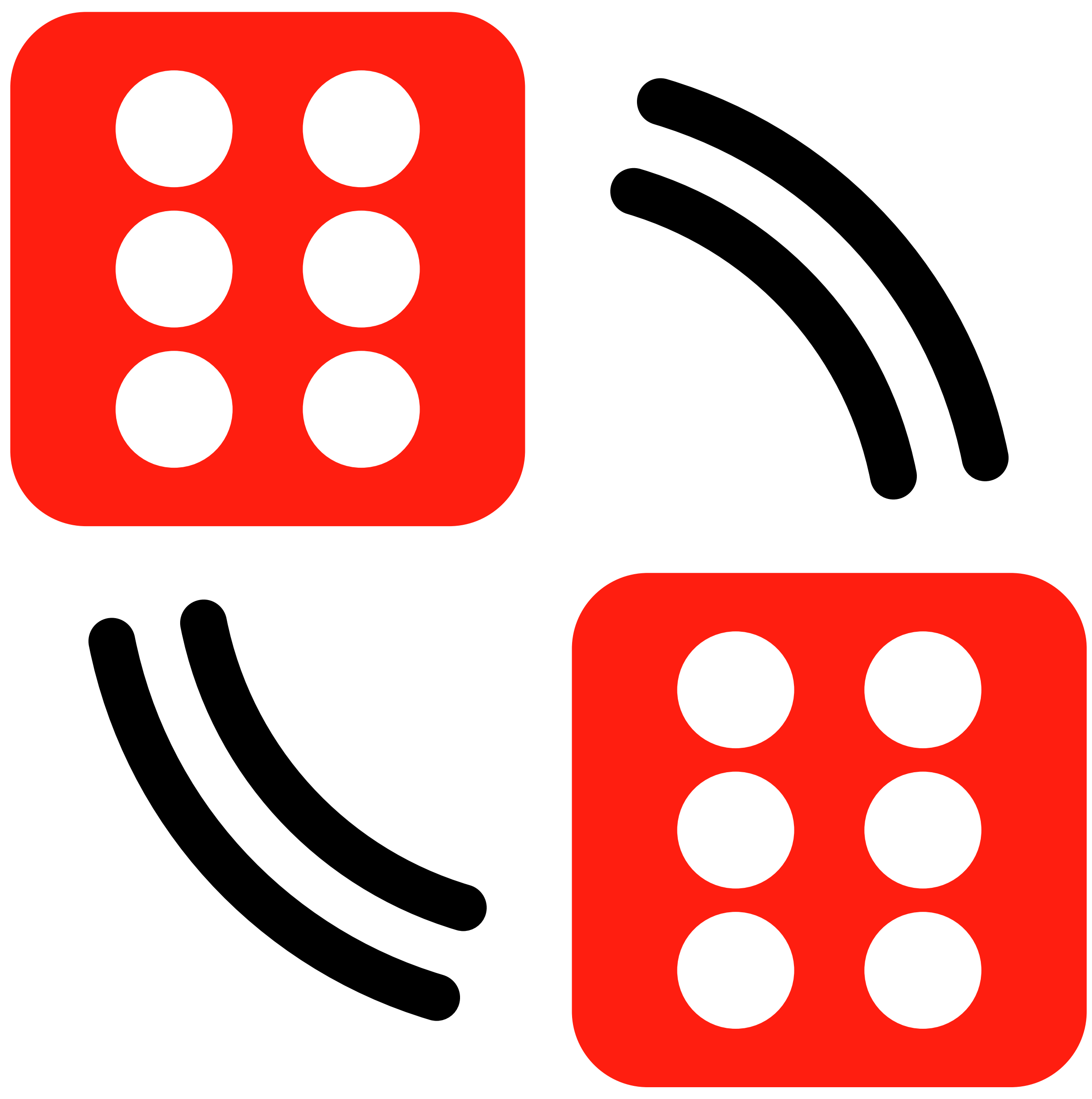
Introduction

Digitalisation has caused disruption in businesses as diverse as the music industry, media and retail. It is virtually impossible to find a sector not affected by the changes brought on by digitalisation.

Your digital competitors are using new platforms, tools and relationships to circumvent established businesses. By getting closer to the customer, they are changing traditional ways of operating.

Experience has always taught us that evolution and change are necessary to remain competitive.

The time has come for financial services to evolve, change and embrace digitalisation.



The financial service sector is, of course, not new to digitalisation, but the time has come for the industry to reap the benefits of its years of experience.

While the traditional players in financial services are indeed facing challenges, the digital age offers a wide array of opportunities.

In order to take advantage of these opportunities, it is vital that you are able to look at your organisation and business model with a critical eye, and be prepared to make the necessary changes.

The good news is that the opportunities on offer heavily outweigh the risks.

But, regardless of how you decide to roll the dice, you need to be prepared for the digital transformation.

Explosive growth in the number of new digital financial services available offers consumers the ability to pick and choose. That leads to greater competition in a fragmented market where even small players can challenge the larger, more well-known businesses.

In other words, it's not the size of a business that pinpoints its competitiveness, instead it is the ability to be flexible and innovative while meeting the needs of your customers with the right product at the right time.

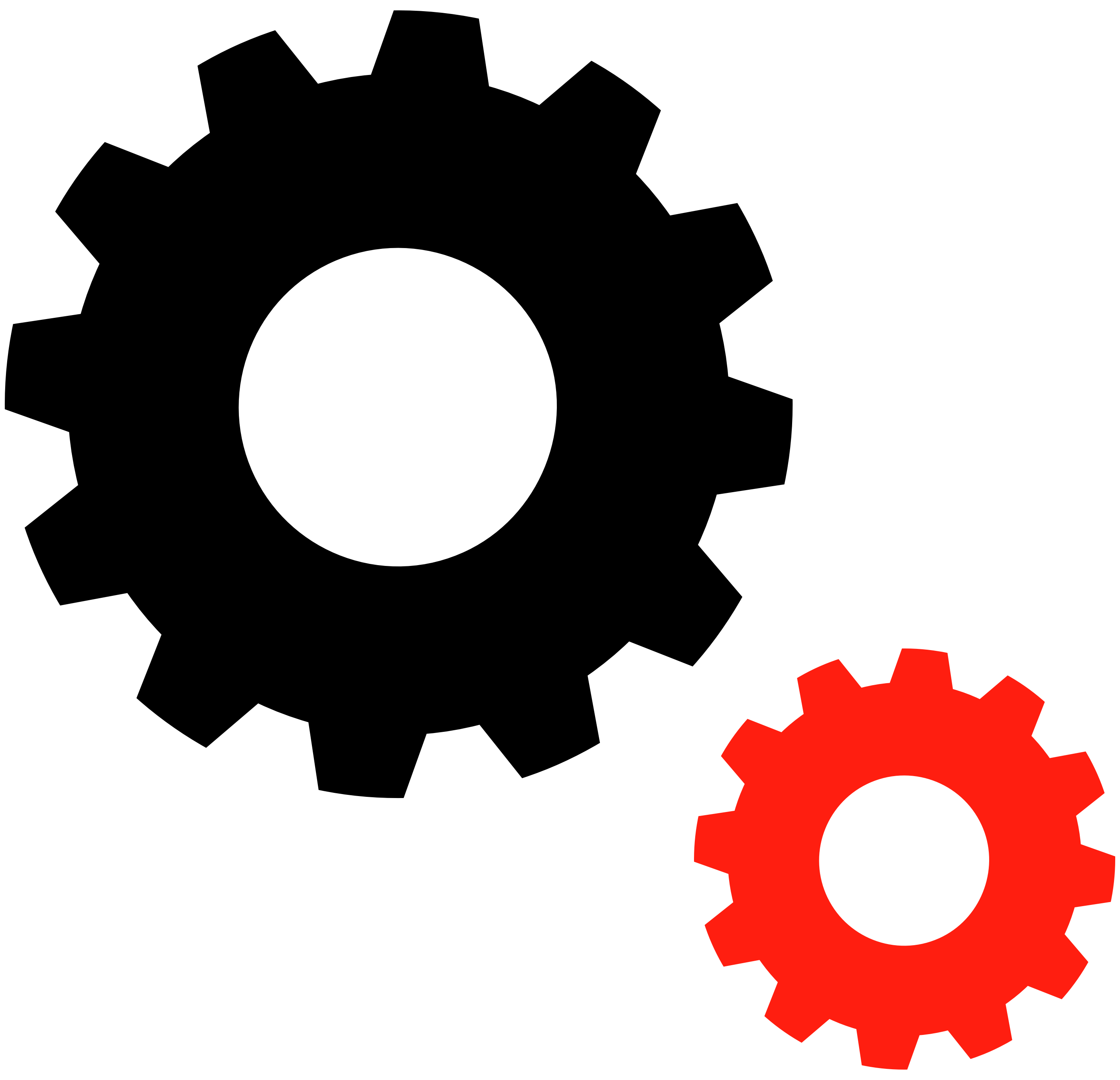
Things are not over for the legacy companies in financial services by any means. They still have the competitive advantage when it comes to credibility, knowledge, market share and their cumulative knowledge of consumers.

The challenge is to bring your organisation into a new age where digital comes first. How do you manage that change? What are the challenges and how do you overcome them?

That is what we cover in the next five chapters.

But first, let's take a look at why the implementation of new business technologies often fails.

Enjoy.



Why does the implementation of new business technologies fail?

According to McKinsey & Company, a whopping 70% of digital transformations fail. Why?

Put simply, the goals for technology projects are too often improperly defined and poorly communicated. This frightens and frustrates employees, so rather than adoption, you suffer resistance, misalignment across departments and competing interests lacking common goals.

Diving deeper, the root causes of those failures share a number of common factors. Often the CEO doesn't set sufficiently high aspirations. During the early stages of the transformation, he or she doesn't build conviction within the team about the importance of the change or craft a convincing change narrative.

People throughout the organisation simply don’t buy in, and they don’t want to invest the extra energy needed to make the change happen.

Often, the CEO or management team doesn’t consider the skills within their own organisation. They perhaps don’t have the key capabilities needed to drive the transformation, or those employees who do have those capabilities are doing other jobs and have not been freed up to work on the transformation.

Companies also often miss a number of procedural elements key to an effective transformation. They don’t put the right change-management infrastructure in place, or establish a consistency of leadership-oversight meetings. They don’t create a transformation office or set regular performance-management discussions to track progress.

In the following we'll address the main challenges of change management when implementing a new business technology and how to overcome them.

WHAT IS CHANGE MANAGEMENT?

The purpose of Change Management, sometimes called Technology Change Management, is to adopt, control and implement change. Technology change management identifies new technology and then implements it to improve productivity and profitability. It reduces resistance, improves communication and addresses the challenges inherent in major change.

Why are we doing it?

Setting and communicating clear goals

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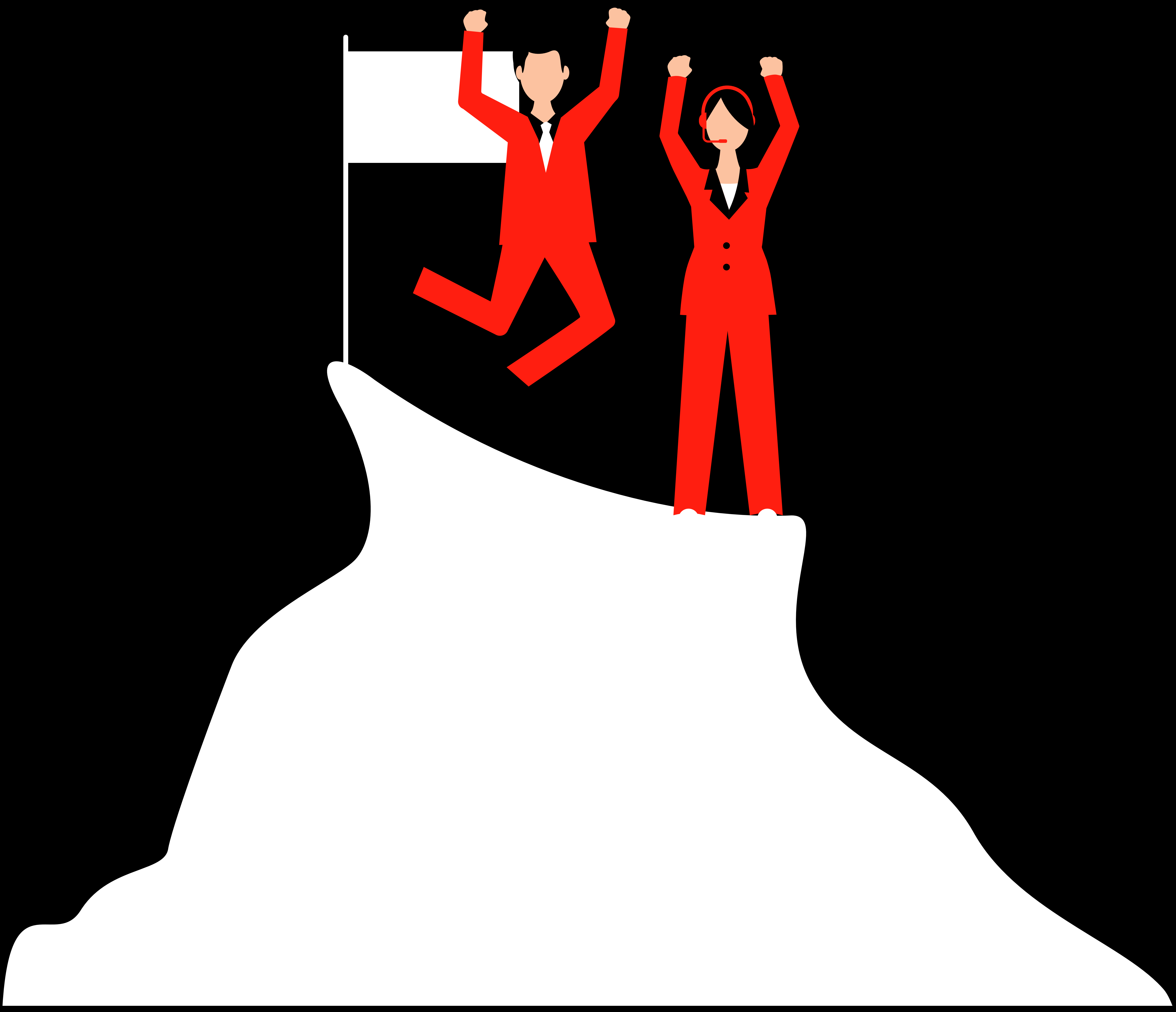
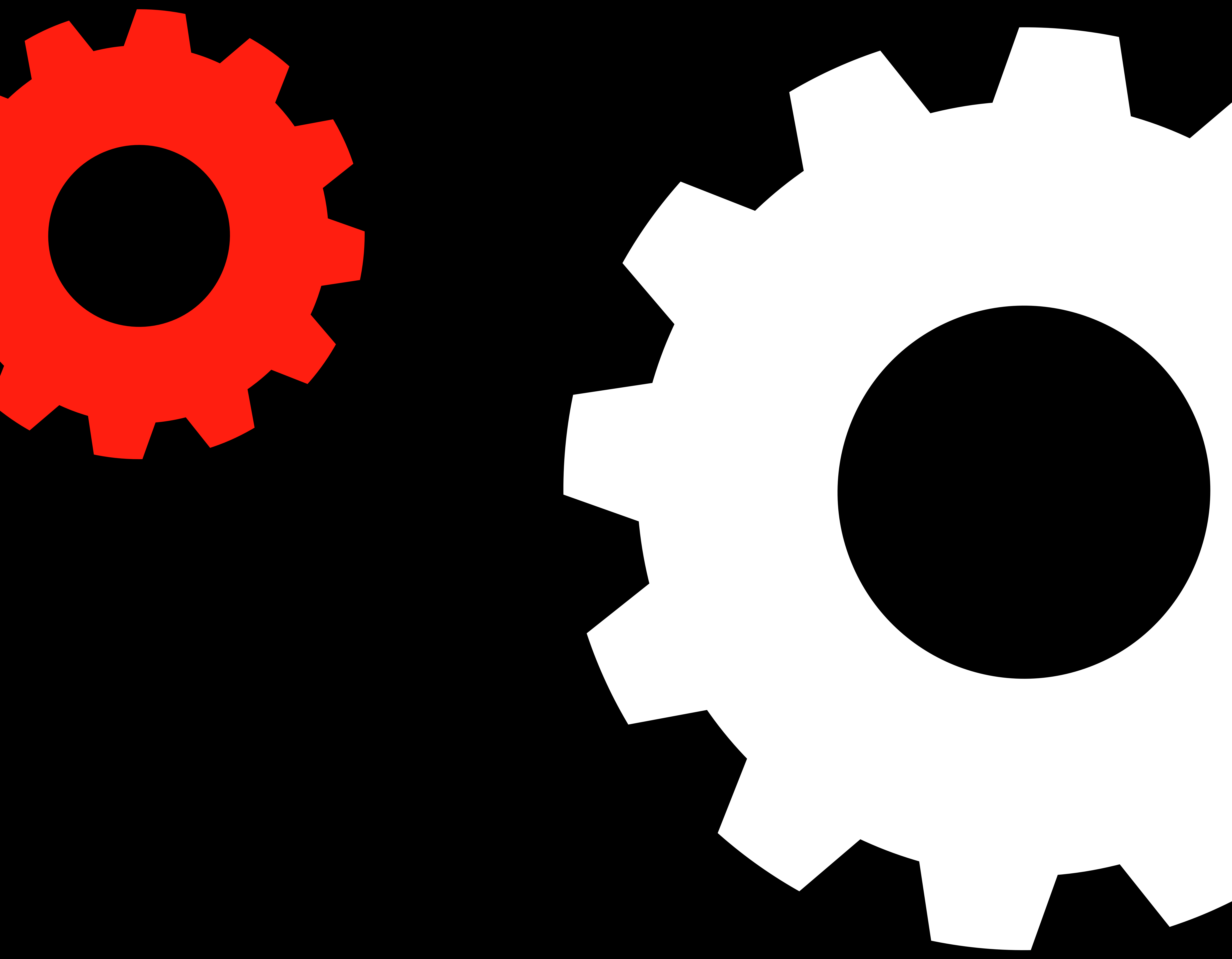


Whether a business technology like Microsoft Cloud for Financial Services or another type of technology is being introduced, make sure you precisely define and align project goals with your company goals.

Well-articulated goals and purposes show leadership, foresight and a determination to complete the project.

Goals may address:

- Improving customer experience
- Streamlining processes
- Future-proofing the business
- Consolidating mergers and acquisitions
- Capturing opportunities



Once goals are set, they should clearly communicate the need for change. Your rollout process should kick off with communication from senior management that clearly explains the need for the new technology, provides an overview of the adoption process and places an emphasis on the positive impact the new technology will have on the company and employees.

Changes which affect the fundamental operation of the business will affect the company's culture. Therefore, such changes must start at the C-suite.

The role of leadership during periods of change is well-documented in management research. Leaders taking a more active role in change management create a more positive working environment.

The leader's presence, guidance and support signals to employees that they are aware of and support the changes. It helps reduce anxiety and gives employees greater confidence about the future.

Change which starts at the top reflects a committed and unified leadership that is on the same page about the future of the company and helps promote the change.

Setting and communicating clear goals in financial services

Generate a solution based demonstration to share your vision, build excitement and persuade key decision-makers and influencers. Be sure to emphasize your unique potential – the assets that differentiate you from the competition. Use demonstrations along with business value and technical assessments to deliver a powerful case for moving forward in your digital journey.

Who should do it?

02

Building a team

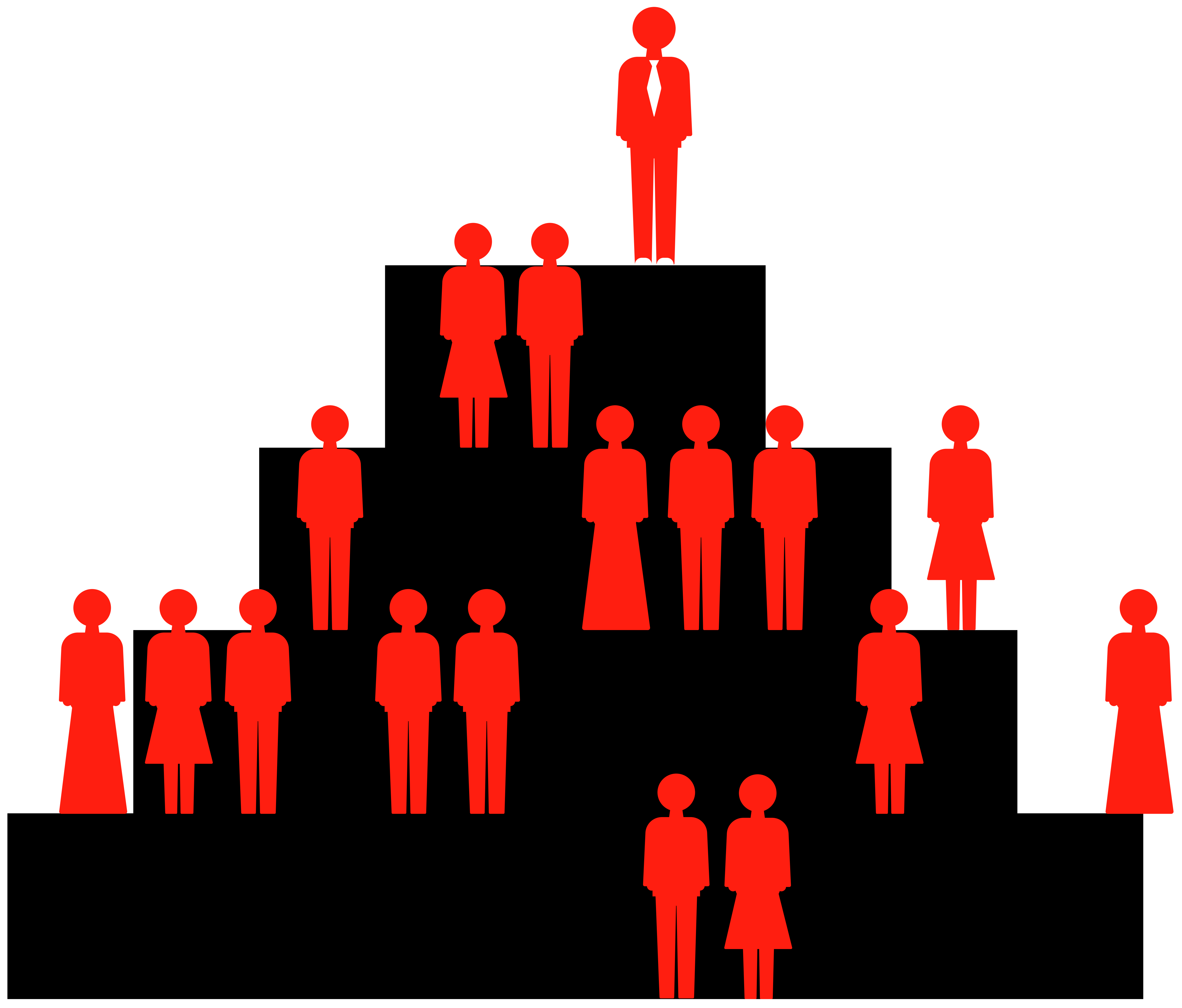
Implementing a new business technology or digital solution requires a management team.

A technology-based change management team requires a special combination of skills and personalities. Be sure to tap those who possess leadership skills, understand the need for change and can relate to and reassure others. Spread leadership responsibility horizontally to keep all departments connected, engaged and productive.

Assemble a team that can adapt to changing situations, learn from setbacks and adjust quickly. Make sure the team is multigenerational. Older and younger employees approach technology differently, so it's important to have a cross-section of generations on the team.

Why build a team? Proper communication is vital during any organisational change. It is one of the major underlying factors which determine the success or failure of a transition or transformation.

Clear communication keeps everyone on the same page and creates a sense of security for those employees who will be directly affected by any changes brought about by the transformation.

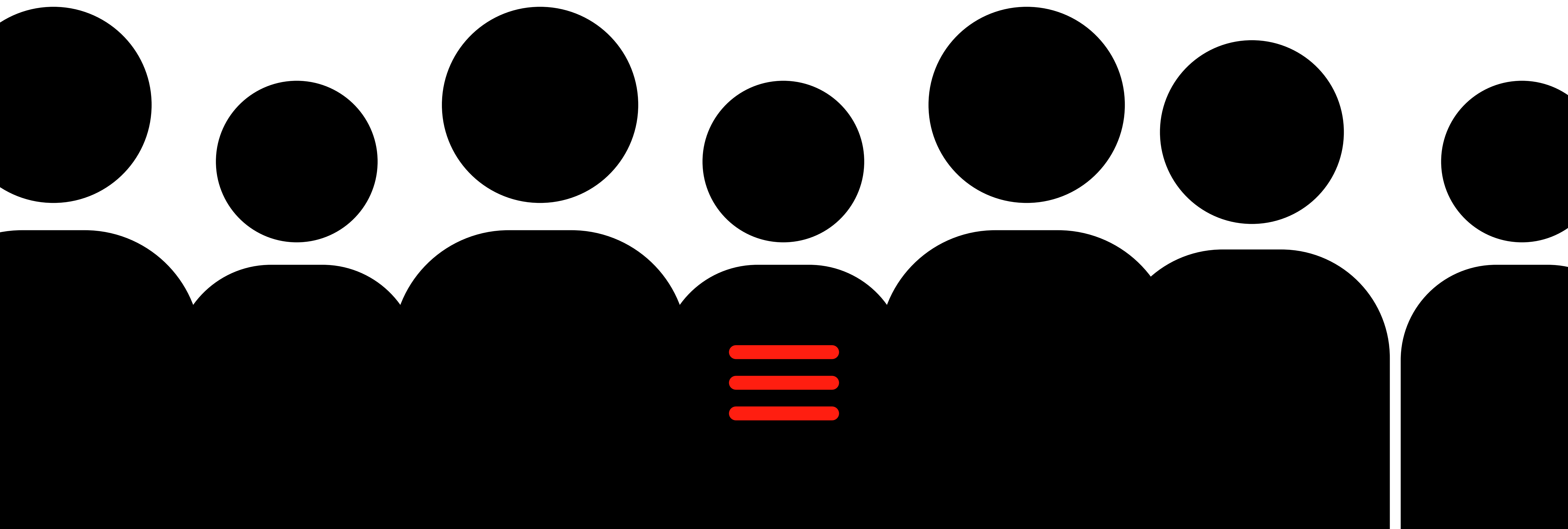


MIT conducted a study on the effects of communication by leadership to employees during digital transformation. While 93% of employees supported digital transformation once it was discussed, only about 36% of CEOs communicated their vision sufficiently to their organisation's employees.

Create channels for employees to reach out with questions or concerns. Support cross-department communication to help ideas and innovation spread as new processes take hold. Along with your vision, precise communication drives efficiency and has the potential to shape culture.

Building a team

Organisations are best able to evolve and accelerate their business when the people inside it are unified and working with shared values and ideas. A shared culture keeps teams connected. Also, an organisational mindset rooted in flexibility and openness to new ideas, processes, and technologies helps build resilience. Build a team including stakeholders, decision makers and influencers from across the organisation.



03

How do we do it?

Defining a strategy

Introducing too much, too soon can create serious issues later on if a business doesn't have a solid strategy in place. As mentioned earlier, it is no secret that many digital transformation efforts end in failure or fail to live up to expectations.

One of the primary reasons for these failures is that decision-makers are unsure how to approach a digital transformation.

It is important to do a comprehensive audit that points to the implementation of solutions addressing the real needs of the organisation, rather than 'over-implementing', which leads to added costs and creates new obstacles.

Organisations pursuing digital transformation must be conscious of the effects that the introduction of new solutions have on their company.

How will the proposed solutions be an overall benefit to the organisation?

The truth is that many leaders often are vary of large, transformative changes. Our approach addresses these fears.

This iterative process prioritises generating value, gathering feedback and adjusting in incremental stages to deliver the desired results. Our approach approach allows a company to test an idea without unnecessary risk, optimise resources and get to market faster.

You experience faster wins with less investment. This in turn enhances the desire for additional changes.

Define a strategy

Let your team build assessments that help drive a compelling case for investment in your organisation’s digital transformation. A technology assessment brings stakeholders together to review current technology in light of solution objectives. The output is a customized, technical roadmap. And remmeber it’s important to consider how strategy and culture intersect when defining the strategy and the roadmap.

04

Should we do it?

Planning for resistance

What employees feel is necessary or desirable change can vary from department, level or their performance record.

The main concern is always how much change disrupts their daily routine.

Many leaders know that changing processes – implementing new technology – can be a headache, so mitigating the effects of changes on employees is vital.

Often employees experience anxiety when new strategies or technologies designed to make management or business operations more efficient are introduced.

Whereas leadership may see the introduction of automation into core business functions as a way to save time and money, employees who were previously tasked with these roles may feel replaced, threatened with obsolescence or simply lost in the shuffle.

The result is lower morale, unsatisfactory performance and a brain drain as your best performers flee. That is why it is so important to plan for disruption and resistance.

To help internal adoption, you can do the following:

Provide regular training. Create a knowledge base and training videos, host meetings, or introduce an online help manual.

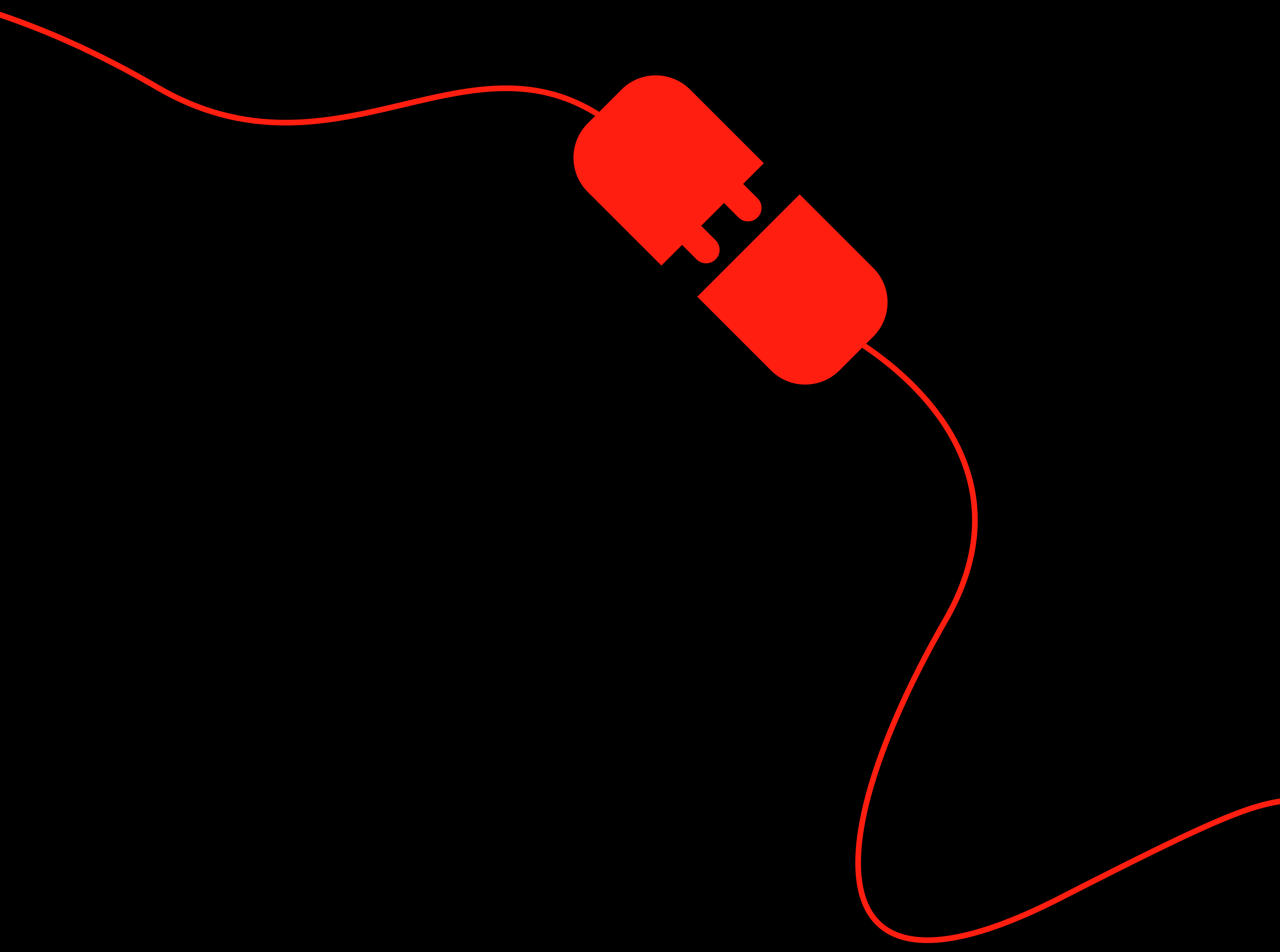
Reward early adopters. Use gamification, compensation, swag or company perks.

Treat adoption as ongoing by hosting meetings and training sessions and encouraging employees to participate in discussions.

Solicit employee feedback. Incorporating employee ideas promotes ownership and adoption.

Plan for resistance

Expect resistance and take it into consideration during your change management preparation stages. Resistance is normal - it's human nature to be wary of change - but effectively applying change management tactics can help with mitigation. How? One way is to ensure that management and C-level executives are demonstrating the commitment to change and showing how much they support the change.



When do we do it?

05

Ensuring continuous improvement

Treating change as a project with a defined beginning and end can create problems. Change is not a project, but rather an ongoing process.

Today's world moves exceptionally fast. Technology, markets, consumer preferences, even environmental conditions often rise and then disappear in the blink of an eye.

Businesses need to do more than simply transform their operations in order to keep pace with their customers. They need to anticipate change and be ready for it when it occurs.

Harvard Business Review defines change readiness as “the ability to continuously initiate and respond to change in ways that create, minimise risk, and sustain performance.”

That is the goal of change management.

You can only be ready for change if you recognise that change is the norm and not the exception.

That is why successful technology change management requires an ongoing commitment to continuous improvement. As an example, the MVP approach of implementing Microsoft Cloud for Financial Services is perfectly suited to continuous improvement.

An MVP approach to implementing a new business technology ensures a shorter distance to the goal with fewer risks and the ability to determine the most business critical processes.

Instead of jumping into the deep end, you can implement a new solution step by step.

This reduces the burden on your employees by making the change much less strenuous, which in turn lessens conflicts between employees and management.

Ensuring continious improvement in financial services

There is no single “right” way to approach digital transformation. Some organisations start with a pilot project in a small part of the organisation. Others roll out a larger proof of concept and quickly test and iterate for a broader and more immediate business impact. Regardless of the size of your project, agility and iteration are key to the desired business impact of your digital transformation strategy.

CONCLUSION

Technology change management is complex, but there are a few constants:

- Organisations are unique and change affects them in different ways. Change management strategies will look different across a constellation of organisations.

- Successful change requires committed, active leadership that fosters good communication, a culture of learning and a clear vision of what any change actually entails.

- Change is an inevitable, vital element of running a business in today's world, and by embracing change readiness, businesses can turn change into an opportunity rather than a challenge.

A partner like AlfaPeople can help you navigate the transformation process.

If you want to know more about how we can help you implement Microsoft Cloud for Financial Services, contact us here.

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