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Total Enterprise Reinvention in Banking

Navigating to a New Performance Frontier

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About the research

In January 2023, Accenture released a report on Total Enterprise Reinvention based on a comprehensive multi-method study which included a survey, conducted in November 2022, of 1,516 C-suite executives across 19 industries in 10 countries. Among the respondents were 94 banking executives.

We also conducted economic value modeling and 360° value performance analysis to quantify the benefits of reinvention. We identified critical disruptions and key priorities using our proprietary Trends Observatory, which uses natural language processing to capture insights from five years of earnings calls of 2,000 publicly listed companies.

We then worked with innovation strategy experts from ?WhatIf! (now part of Accenture) and banking industry subject matter experts to ideate, shape and push the boundaries of the New Performance Frontier for the banking industry.

To assess the value generated by Reinventors in the banking industry, we analyzed quantitative data from 131 banks across North America, Europe, Asia, the Middle East and Latin America. The analysis, which utilized multiple indicators for a comprehensive evaluation, focused on four essential pillars: the digital core; the customer experience; sustainability and responsible business; and talent and leadership. Using a min-max transformation and factoring out the country effect, we converted the detailed scores into a standardized range of 0 to 1, representing the lowest- to highest-performing banks. We then aggregated those standardized scores into the scores for four pillars.

Based on these results, banks were categorized as Reinventors if they scored higher than average in all four pillars. We then assessed the financial performance of the Reinventors compared to other banks, considering their profitability, operational efficiency and cost management metrics while standardizing the data to account for country-specific factors.

In our daily discussions with banking executives, a common theme is how the financial services landscape is changing and constantly giving rise to unfamiliar threats and opportunities. Confronting these changes is essential, but it requires banks to operate at a higher level — even beyond what is best in class today. This report explores how banks can rise to the challenge and navigate toward a New Performance Frontier.

Turbulent times create opportunities for banks

Banks, because of their vital role in the lives of consumers and businesses, have always felt pressure to keep abreast of the ever-evolving landscape. Yet the disruption that is currently rife in the banking industry is likely to intensify rather than abate, and the ability to manage and profit from constant change will be a crucial differentiator for banks.

Sharply rising interest rates — for the first time in 17 years — held the promise of a return to normality. Deposits once again became a source of revenue, and as money became costly and VC funding ebbed, banks' digital attackers saw their dreams of industry disruption fade. That, together with customers' natural tendency to prefer incumbents in times of uncertainty, took the wind out of the sails of many of these innovative start-ups. This was reflected in their plummeting valuations, confirming that the basic laws of banking are back.

But just as the fintechs faltered, so the bigtechs flexed their muscles. Apple's new savings account, which hit the market with a significantly above-average 4.15% APY, reportedly attracted almost $1 billion in deposits in its first four days.[1] Embedded finance continues to expand, depriving banks of income they traditionally regarded as theirs alone. And in an economy dominated by inflation and fears of recession, faith in the banking industry has been shaken by the failure of several seemingly solid deposit-takers.

Banks' difficulty in meeting the customer-service standards set by nimbler, more creative providers in other industries has been discussed at length. For some banks, digitalization offered the solution. However, many have found that their mobile apps, while functionally correct, have stripped their customer experience of a crucial, differentiating element: the human connection. What's more, banks' digitalization has generally been localized and remedial rather than holistic and transformational — an important factor in the failure of many of these initiatives to fully deliver the expected outcomes. Nor has it helped that most banks are trying to meet the demands of the modern age with legacy technology. According to our Banking Cloud Rotation Index, a regular snapshot survey that tracks the cloud migrations of almost 100 banks, by late 2022 only 15% of their workloads had been moved to the public cloud.

While these are all critical issues, the limelight has shifted to another priority. Generative AI has caused executives in every banking function to ponder its likely transformative impact, and how best to harness its potential. The answers are already around us. Generative AI is being used by many banks, in most parts of the business, from the front office all the way through to regulatory compliance, to reduce costs, support growth, improve experiences, accelerate processes and manage complexity. It is writing code, detecting and responding to customer intent, and creating marketing content. Perhaps most importantly, it is augmenting employees in every role as it starts to realize the vision of a human + machine workforce. It's safe to say generative AI will rapidly transform the way banking is done.

Each of these trends imposes severe demands on the average bank. None, on its own, is beyond the capability of most banks, but together these forces present a formidable challenge. It doesn't help that the majority of banks are constrained on all sides: by a workforce and a technology infrastructure designed for simpler times; by a constantly expanding regulatory regime; and by the expectation of all their various stakeholders that they play a central role in helping the economy transition to net zero carbon emissions.

There's a strong case to be made that traditional strategies are no longer fit for purpose. It's time banks reconsidered their approach.

The time is now: A more strategic approach to opportunity

As is often the case, the flipside of disruption is opportunity. Banks today have both the means and the incentive to look beyond traditional best practices, to achieve what we call a New Performance Frontier — a new level of performance that goes beyond today's benchmarks for key business capabilities and equips them to drive growth, optimize operations and deliver 360° value in an unpredictable future.

With this in their sights, the biggest constraint is no longer technology — which is more sophisticated and abundant than ever before. Thanks to cloud, access to technology is being democratized and its cost is being marginalized.

Instead, what separates most high-performing banks from their peers is their ambition to capitalize on the trends shaping the industry, and the leadership to build a vision and culture that are aligned with this new reality.

Our experience working with thousands of clients across all industries has shown that most organizations are responding to the need for transformation with carefully planned and diligently executed modernization projects. While these projects advance the digitalization of the firm and improve the efficiency of its functions, they tend to be localized, incremental and finite in duration — and therefore difficult to scale and limited in impact. They are hampered by organizational silos that make collaboration difficult and put data out of reach, and by a shortage of next-generation skills. Costs remain stubbornly high, and many of these projects fall short of their sponsors' expectations.

To set a New Performance Frontier and position themselves for enduring success, banks first need a bolder mindset. This entails looking at the enterprise as a whole, rather than focusing on its discrete functions. It deliberately considers continuous reinvention of the organization and all its parts, rather than simply their enhancement.

While most banks continue to improve their operations, this approach cannot on its own capitalize fully on the opportunities that are emerging throughout — and beyond — the banking industry. We believe the time has come for a new, more ambitious strategy: Total Enterprise Reinvention.

What is Total Enterprise Reinvention?

Total Enterprise Reinvention is a strategy that spans the organization, from top to bottom and across all functions and locations. It creates a strong connection between what's happening outside of the bank and the setting of strategic and operational priorities within it.

Key elements of this strategy are a commitment to continuous, holistic reinvention and a vision that looks beyond conventional benchmarks, seeking instead to establish a New Performance Frontier. This goal addresses both short- and longer-term objectives and includes non-financial as well as financial dimensions. This is what we mean by 360° value.

The key enabler of reinvention is a strong digital core that bolsters resilience and security, and becomes a primary source of competitive advantage. The strength of the digital core lies in the intentional integration and interoperability of its parts — as opposed to the static, stand-alone structure that today characterizes most banks' technology — as well as its reliance on cloud, data and AI. A strong digital core also requires new skills and a deeper understanding of technology, change management, communication and how to leverage partners to achieve results faster.

Our global cross-industry research included senior executives from 94 leading banks. It revealed that many recognize the importance of ongoing holistic transformation and have begun this journey. In most cases, however, their current focus is still on transforming parts of the business rather than the whole, and they tend to treat transformation as a once-and-done project rather than a continuous process.

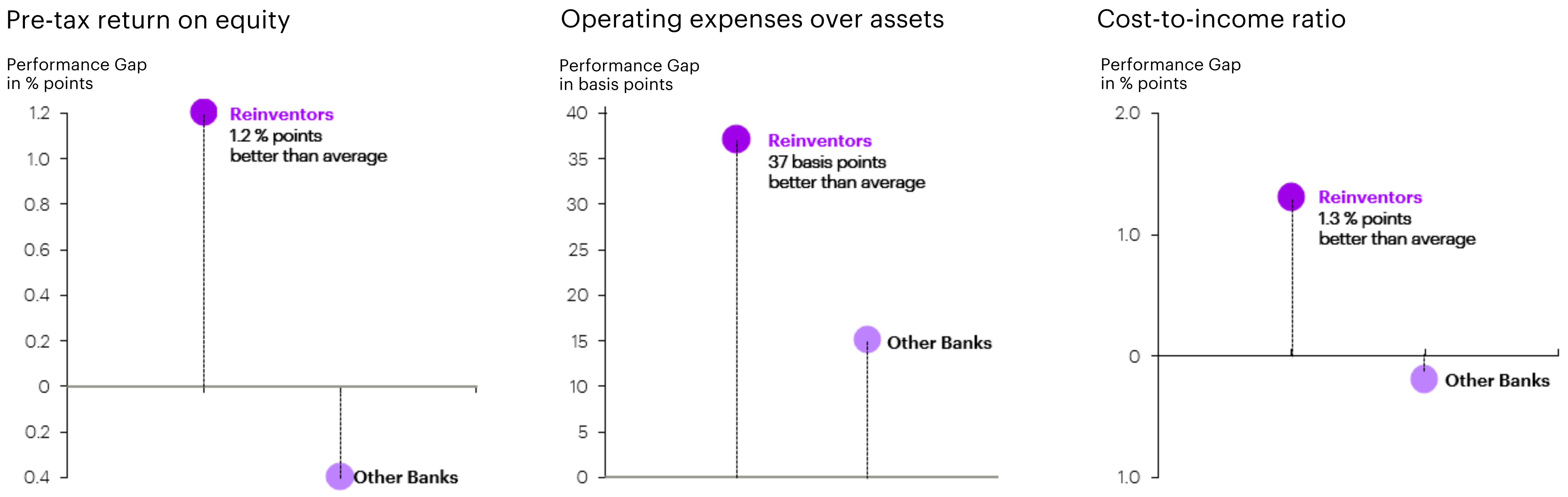
In fact, less than 10% of the surveyed banks (compared to 8% of our global, cross-industry sample) have committed themselves fully to Total Enterprise Reinvention and have embarked on the transformation, over time, of every part of their bank around a digital core and new ways of working. But those that have started this journey are establishing a culture and capability for continuous reinvention. We call these strategic leaders Reinventors.

Most Reinventors are still getting to grips with the new strategy. However, early results of our our additional quantitative analysis are impressive: these banks achieved higher profitability (average +120 basis points in pre-tax ROE), greater efficiency (-37 basis points in opex over assets) and better cost management (-130 basis points in cost-to-income) compared to the mean of their local competitors (Figure 1). That's surely worth thinking about.

Figure 1

Banking Reinventors outperform their peers

The Performance Gap is the 2022 median gap between individual banks in two groups (Reinventors and Other Banks) and their respective country averages



Source: Accenture Research analysis

The six characteristics of Total Enterprise Reinvention

Reinvention is the strategy. It is no longer an execution lever. The entire C-suite, together, make a deliberate decision to reinvent the enterprise to deliver 360° value.

The digital core becomes a primary source of competitive advantage. It leverages the power of cloud, data and AI through an interoperable set of systems across the enterprise — including enterprise platforms, automation, integration and security — that allows for rapid development of new capabilities.

Reinvention goes beyond benchmarks, embracing the art of the possible. Technology and new ways of working create a New Performance Frontier for organizations and the industries in which they operate.

Talent strategy and people impact are central to reinvention, not an afterthought. Continuous change is enabled through new talent capabilities and technology solutions that reflect the ability of users to adopt them. Change management is a core competency.

Reinvention is boundaryless and breaks down organizational silos. It tackles capabilities end-to-end with people, processes and data deeply connected across the value chain, inside the organization and beyond.

Reinvention is continuous. It is no longer a time-defined one-off, but a capability continuously tapped by the organization. It is leadership sponsored, focused on sharpening strategic differentiation and overall operational efficiency.

How banks can navigate to a New Performance Frontier

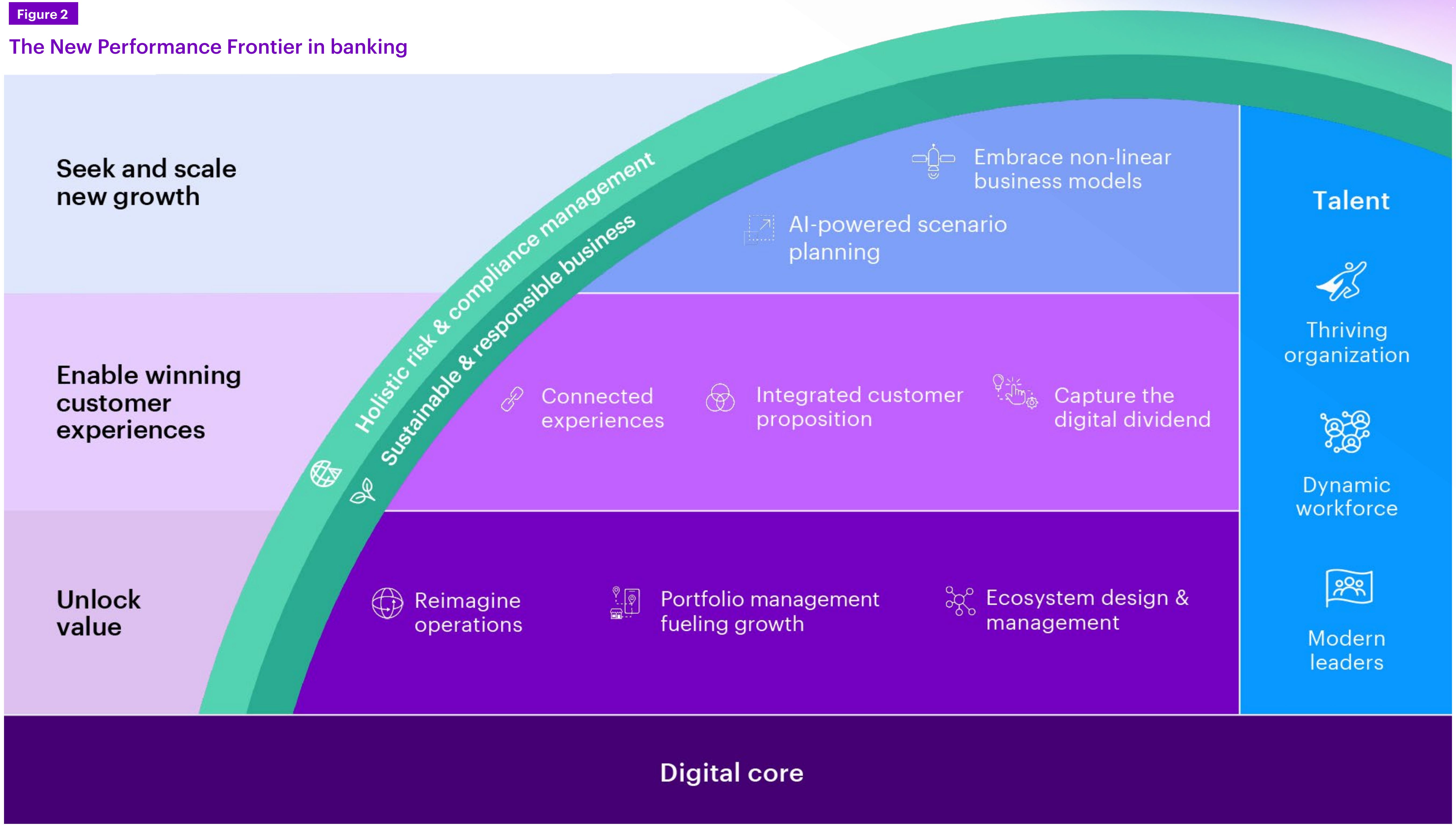
All banks are striving to improve, and many set industry best practices and leading capabilities as their targets. However, given the rapid pace at which the industry is changing, this approach will not enable them to join the ranks of the leaders.

Reinventors, on the other hand, have freed themselves from the constraints of tradition and convention — they look outside of the industry for inspiration and innovate from a blank slate, using the evolving needs of their customers as their North Star. They imagine what banking will look like in five or ten years' time, decide the role they intend to play in that future, and scope the capabilities they will need to succeed.

Our work with many of the world's banking Reinventors has allowed us to identify the capabilities which banks will need to lead and thrive in the future. A new level of performance will allow the bank to seek and scale new growth, enable winning customer experiences and unlock value through dynamic investment — all in service of becoming a sustainable, resilient and responsible company (see Figure 2).

Figure 2

The New Performance Frontier in banking



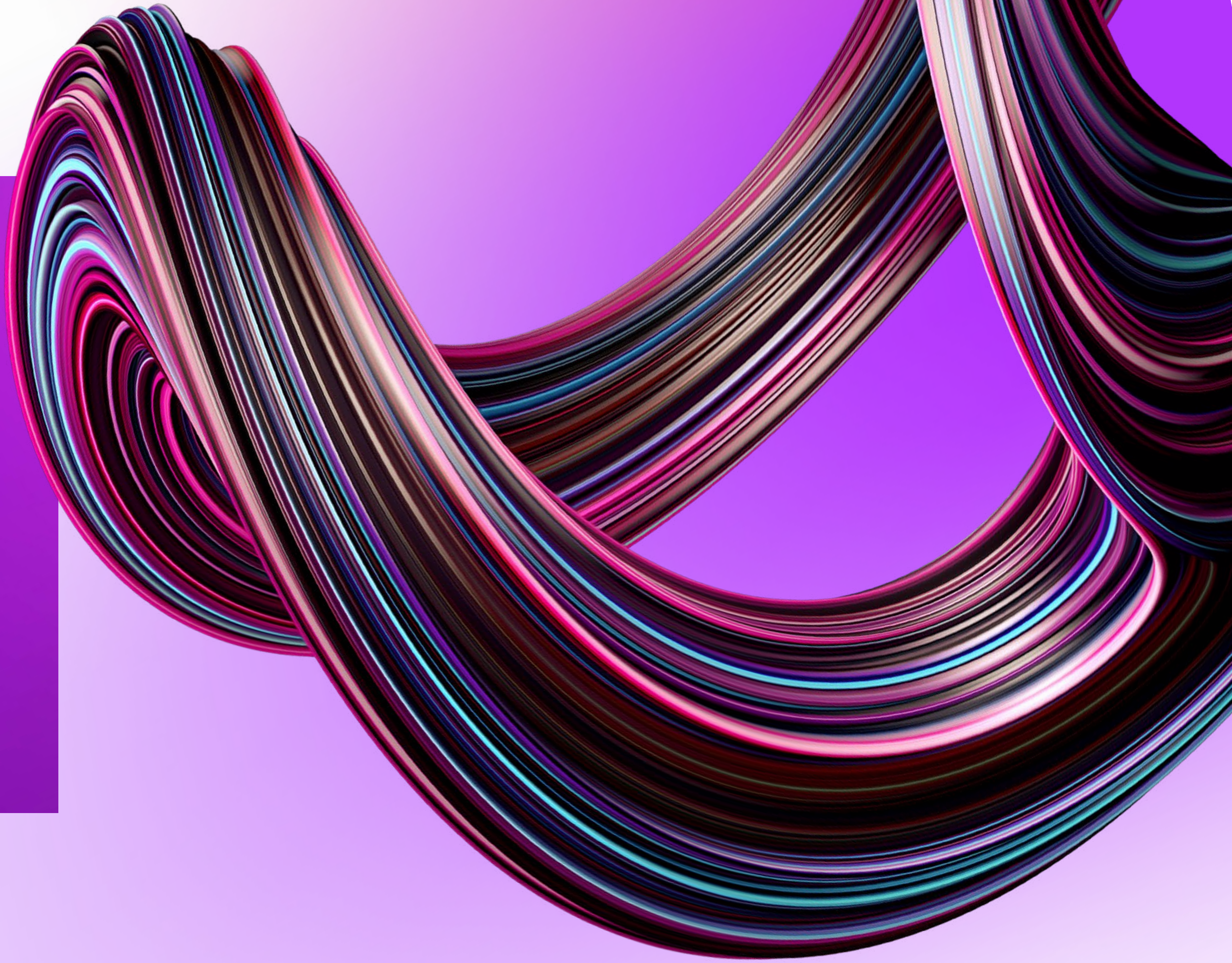
Source: Accenture

The digital core: Enabling reinvention and breakthrough innovation

A strong digital core is fundamental to all of the bank's strategic needs. It is also essential to all of its capabilities if they are to be truly leading-edge.

The digital core is a powerful set of technologies that harnesses the full potential of cloud, data and AI, among others. It replaces the traditional tech landscape of stand-alone parts with interoperable pieces that are intentionally integrated.

Building a digital core is not a one-time project, but a continuous incorporation of new technologies and business capabilities.



The digital core

What it means:

The digital core consists of three layers:

- A modern, cloud-based infrastructure and security layer that is automated, agile and secure by design.
- A data and AI layer of domain-specific, AI-enabled applications and platforms that generate insights for decision-making. It connects and elevates trapped enterprise data, facilitating accessibility at scale.
- An applications and platforms layer. This is where new experiences and ways of operating come alive — through modernized and new, custom applications and platforms or replatforming on SaaS.

An important feature of a modern digital core is "interoperability" across all of these layers, connecting technologies, data, and applications across silos and enabling reinvention.

Why it matters:

- A strong digital core provides a potent competitive advantage — it helps the bank be composable at speed while remaining resilient at scale.
- It comprises the latest banking technologies, enabling banks to achieve differentiated levels of performance on the capabilities they have strategically prioritized.
- It helps them ask new questions and find answers that drive decision-making and the development of new products.
- A digital core renews or reduces banks' legacy monolithic structures, increasing their agility.
- It helps them enhance customer value, increase agility, speed up product innovation and boost resilience.
- It also allows banks to experiment with and adopt new business models, and become part of an innovative, collaborative ecosystem.

How to do it:

- Banks need to adopt a platform mindset in establishing the digital core as a set of technologies that can be consumed by engineers and data scientists across the firm on a self-service basis.
- The core of a modern, competitive bank should be cloud-native to enable automatic scaling.
- It should have a composable architecture featuring continuous integration, modular deployment, and third-party connectivity by means of APIs.
- It must support real-time operations and the aggregation of quality data from all parts of the organization.

Who's doing it:

A leading European financial services group wanted to improve the quality of its products and services, bring them to market faster, and reduce their maintenance costs. To achieve this, it enhanced its developer experience by creating a set of foundational services (such as a service mesh with more than 1,000 APIs running) and releasing a unified design system that includes tools, guidelines and reusable components needed to create a unified developer experience.

The approach is focused on engineers leveraging automation and standardized self-configure services while moving away from manual and inconsistent configuration of products and services. According to its leadership, the group is now better set up to achieve its business objectives.

** A composable architecture consists of multiple building blocks linked by APIs to create a digital solution. Each component can be quickly and easily replaced or redeployed, making the tech stack more flexible and making upgrades quicker and cheaper.*

Seek and scale new growth

Many of the most successful banks have found ways of consolidating their existing revenue streams and, in addition, have created and capitalized on new waves of growth across the industry. These Reinventors seek to continually renew growth by stepping outside of the traditional industry mindset and consider how they can help their customers and partners. When the opportunities are identified, they define and develop the capabilities to pursue them at scale and at speed.

1 AI-powered scenario planning

What it means:

A dedicated function to anticipate future risks and opportunities — and evaluate a range of possible responses. Scenario planning has always been a standard feature of the banking planning process, with particular relevance to risk. However, the availability of real-time data from across the enterprise, the incorporation of AI and advanced analytics and the use of cloud to empower these technologies all make this a much more potent capability. AI-powered scenario planning can encompass many more variables and much greater complexity, and can also be used for data-driven identification and assessment of growth opportunities. Scenarios are more nuanced due to the processing of more data from more sources. They are also more dependable due to the currency of the data and the speed at which it is processed.

Why it matters:

In the past, banks had the luxury of being able to wait to see how new developments played out. This is no longer the case.

- As threats and opportunities emerge more rapidly than ever, banks' ability to assess and respond effectively will be a crucial differentiator.
- This capability delivers real-time insights, enabling banks to consistently gain a first-mover advantage.
- It helps them adopt a more insight-driven, future-oriented mindset.

How to do it:

Scenario planning today is mostly a manual function carried out by Risk Management. It is often slow, siloed, incomplete and inaccurate. To gain better data for better decision-making, banks need to:

- Enhance their integration across the enterprise and make internal data more readily available.
- Utilize more data from a greater variety of sources.
- Implement powerful new technologies that can access and mine insights from large volumes of data.

2 Embrace non-linear business models

What it means:

The continuous exploration of new models for creating value and generating revenue, alongside the traditional vertically integrated business model.

Why it matters:

New competitors are targeting discrete parts of the value chain, claiming revenue that used to belong to incumbent banks. By playing one or more different roles (manufacturer, packager or distributor) in multiple models (B2B2C as well as B2C and B2B), banks will become better at adapting to the dynamics of the market. This will help them:

- Offer customers innovative new offerings.
- Counter the threat of their nimble rivals.

These models, to an ever-greater extent, can be adopted inexpensively, configured with a high degree of flexibility and scaled rapidly. This makes them an increasingly attractive opportunity.

How to do it:

Banks should become bolder and actively experiment with a kaleidoscope of business models and transformative partnerships. They should consider:

- Continuing the fragmentation of the banking value chain, initiated by digital-only players.
- Reassembling the components in ways that enable exciting new customer propositions.

Banks should also embrace platform thinking and transform their banking architecture to be more composable. This would include API-first integration to take advantage of the non-linear business opportunities presented in the ecosystem.

Who's doing it:

On top of its retail and commercial banking presence in many markets, Standard Chartered built nexus, a white-label plug-and-play banking-as-a-service platform deployable in over 30 countries. In September 2022, together with Indonesia's first publicly listed technology company, Bukalapak, the bank launched a service called BukaTabungan. This gave Bukalapak's ecosystem of more than 110 million retail users and 20 million business owners — many of them underbanked — access to digital banking services.[3]

Enable winning customer experiences

The pandemic accelerated banks' drive to digital and customers' adoption of remote banking. But the experience was impersonal and undifferentiated, causing customer loyalty to weaken and making cross-selling more difficult. This has surely contributed to the fact — uncovered in our mid-2022 survey of 49,000 consumers — that while the average consumer has 6.3 financial products, only half of these are provided by their main bank.[4] It has become clear that while economy and convenience are essential attributes of a winning banking experience, customers also value the sense of belonging that comes from being treated as a unique person or business with needs and aspirations that reach beyond a limited portfolio of banking products.

“Wouldn’t it be great if, when you called your bank, instead of being asked to ‘press 1 for balances, press 2 for lost cards’ you heard ‘Hi Mike, I see you’ve been having difficulty logging on — can I help you? And I’m sure you’re keen to know how your loan application is progressing.’ Now that would make you feel like your bank recognizes you as a unique customer.”

Mike Abbott, Global Banking Lead, Accenture

3 Integrated customer proposition

What it means:

The replacement of stand-alone products with integrated offerings and personalized pricing that recognize customers' value to the bank as a whole and facilitate cross-selling and relationship-building.

Why it matters:

Rigid silos and product lines make it difficult for banks to identify cross-selling opportunities and incentivize customers for the entirety of their relationship.

- An integrated customer proposition can be a powerful growth engine. For example, Bank of America reports that customers enrolled in its Preferred Rewards program use, on average, twice as many of the bank's products as its other customers.[5]
- A more cohesive, connected relationship with customers delivers greater value and eases the need to compete on price.
- Such relationships also enable a better understanding of customers, making it easier to target key segments, deliver personalized experiences and foster loyalty.

How to do it:

By eliminating silos, leveraging customer data and analyzing the comprehensive relationship rather than isolated transactions, banks can better identify opportunities for cross-selling and up-selling.

- Challenge the traditional banking operating model, which impedes data sharing across lines of business and product lines as well as the exploration of integrated value propositions.
- Enable easy — even one-step — onboarding, as this sets the tone for the entire relationship and establishes loyalty at the outset.
- Market and sell integrated offerings akin to those of Amazon Prime to create cohesive and interconnected relationships that go beyond individual transactions.
- Provide each customer with a consistent, unfragmented and value-added experience that exceeds their expectations.

4 Connected experiences

What it means:

While the previous capability relates to banks' portfolio of products, this capability is about the experiences they provide. By integrating their platforms and channels to enable data to flow freely through the organization, and by using generative AI to quickly make sense of the data and craft personalized responses, banks can provide a seamless experience as customers move from touchpoint to touchpoint. Banks are also better equipped to understand and cater to customers' intent, regardless of the channels which customers prefer to use.

Why it matters:

The need to deliver more human and personalized experiences digitally is an imperative of our times. Consistent and seamless cross-channel experiences go a long way to improving:

- Customer value — anticipating customers' needs increases the speed and ease with which they can be met.
- Satisfaction — banks have the opportunity to surpass the much-lauded service levels of the leading digital-native companies with customer experiences that offer authentic personalization and a human touch.
- Loyalty — great value and satisfaction, combined with customers' traditional trust in their bank, result in high retention rates.

How to do it:

A more customer-centric approach entails handing over control — meeting customers where they prefer, offering them the right products at the right time and helping them solve their problems. To create a frictionless experience for customers:

- Establish a digital brain comprising a "data lake of one" for each customer. This will allow the bank to optimize data availability and scale its services, achieving both efficiency and more personalized, meaningful experiences.
- Shift the bank's focus from predefined journeys to understanding and catering to the customer's current intent. Generative AI will enable the digital memory that allows banks to proactively engage customers based on their individual context.
- Integrate platforms and eliminate silos to allow conversations and interactions to be moved seamlessly, with minimal interruption, to the most appropriate channel.

5 Capture the digital dividend

What it means:

Improving the versatility and acceptability of banks' digital channels so that customers are happy to use them for complex, high-value interactions — like finding out about and applying for new products and services — rather than defaulting to face-to-face meetings.

Why it matters:

- Only 3% of customers' bank interactions are face-to-face, but they are especially effective for cross- and up-selling and therefore contribute a significant share of new revenue.[6]
- A good remote customer experience not only lowers the cost of sales but also enables the bank to maximize the return on its digital investment.
- An effective digital channel strategy allows customers to learn more about new products, evaluate them in terms of their needs and circumstances, and commit to buying them.

Any measure that makes the digital experience more personal, authentic and relevant will improve short-term revenue and profit. It will also strengthen customer relationships, increase retention, and ultimately drive long-term value for both customers and the bank.

How to do it:

Banks can enhance the commercial potential of their digital channels by:

- Transforming their digital marketing capabilities with the intelligence and responsiveness to match their physical channels — at scale.
- Augmenting these channels with sales personnel and supportive solutions.
- Using cross-enterprise data and generative AI to understand individual customer intent, provide more relevant offerings and recommendations that customers trust, and raise sales conversion rates.

Who's doing it:

CaixaBank has created a dedicated research hub to help it design omnichannel experiences that draw on more than just basic demographic and transactional data — the bank seeks to gain and respond to a deeper understanding of customers' circumstances, aspirations and intent. The hub is a seamless digital and physical laboratory that covers all experience touchpoints.[7]

Commonwealth Bank of Australia is using generative AI in its call centers to help agents deal more efficiently with customer queries. The system interrogates 4,500 documents on the bank's policies in real time, allowing agents to resolve complex enquiries in a few seconds.[8]

Unlock value

An important outcome of Total Enterprise Reinvention is that it increases the short-term financial value that the bank generates for shareholders, and also the more enduring value that benefits all stakeholders — including the dimensions of sustainability, experiences, innovation, talent, and inclusion and diversity. To pursue this more holistic goal, banks need to re-examine both their business and operating models.

6 Reimagine operations

What it means:

A digital-first strategy and service model and an optimized operating model. These, together, allow banks to deliver value in real time, respond dynamically to market trends and provide exceptional customer experiences at every touchpoint.

Why it matters:

Most banks' operating models, with their legacy infrastructure, manual processes and fixed cost structures, impede agility and the provision of superior experiences and outcomes. This capability allows banks to:

- Evolve their operations from being primarily transactional to becoming valuable business enablers.
- Meet customers' rising expectations.
- Improve resource allocation, compliance, accuracy and efficiency.

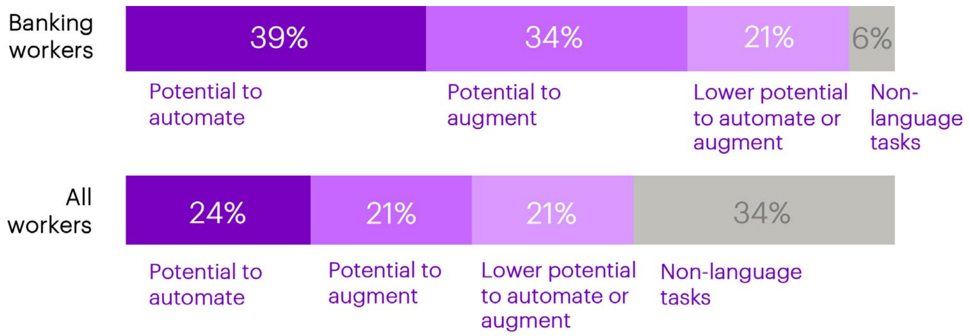
How to do it:

- Continuously reinvent operations to take advantage of emerging technologies and the potential of augmented personnel. Recent analysis conducted by the Accenture Research team shows that generative AI, in particular, has the potential to transform banks' operations and roles (Figure 3).
- Integrate the front, middle and back offices for seamless collaboration and information flow.
- Utilize automation, data and analytics, and cloud-based AI/ML engines to boost the capability, productivity and flexibility of the bank's operations.

Figure 3

Reimagining banking operations: the potential impact of generative AI and other technologies

Share of US workers' time that has the potential to be automated or augmented



Source: Accenture Research analysis based on BLS and O*Net. O*Net tasks were classified into four categories. This classification was performed based on a list of 2,000 detailed examplaes for 300+ tasks. US average corresponds to the weighted average based on occupation shares across industries.

7 Portfolio management fueling growth

What it means:

A strategic approach to portfolio management that optimizes resource allocation — including capital, talent and investments — to take advantage of synergies both within and outside the organization, and to generate enduring value that addresses more dimensions than just the need for short-term financial returns.

Why it matters:

Portfolio management should be aligned with the bank's strategy and its customer needs. This capability enables banks to:

- Proactively adapt to market changes.
- Capitalize on emerging technologies.
- Identify new growth opportunities.
- Remain agile and resilient.
- Seize competitive advantages.

How to do it:

Banks design their structure to create the best risk-return profile and strike a balance between traditional business operations, innovation and diversification. They can further develop this capability by considering:

- Shifting from the traditional business model towards a "federation" of business models.
- Becoming a platform rather than an intermediary.
- Investing in companies and building ecosystems.
- Creating sub-units exposed to the market, with decision-making power but connected to the organization through the holding company.
- Enabling risk to be isolated by increasing the transparency of the corporate structure and, thereby, making it systemically more resilient.

8 Ecosystem design and management

What it means:

Rapid and dramatic expansion of the bank's ability to form partnerships with organizations that broaden its expertise, assets, services, data, technology and market reach. This is enabled by a change in mindset and the acquisition of new skills. Also, crucially, by technology advancements such as the growing use of APIs to streamline connections between participating companies.

Why it matters:

Banks' time-honored vertically integrated business model has resulted in a deeply entrenched culture of self-sufficiency. However, to respond effectively to the fragmentation of the banking value chain and the many diverse ways in which new competitors are entering the industry, banks need new capabilities which they typically don't have. Collaboration with an ecosystem of partners goes beyond conventional outsourcing of non-core activities to reduce costs. It is a more strategic move that enables banks to adapt and upgrade their capabilities quickly and frequently, focusing on their core strengths while capitalizing on those of their specialist partners.

Partnering often allows banks to perform better than they can on their own, by:

- Co-creating innovative products and services, and getting them to market faster.
- Responding more efficiently to rapidly evolving customer expectations and trends.
- Accessing new markets and customer segments.
- Accelerating the implementation of new technologies at scale.
- Reducing the costs for activities that do not drive differentiation.
- Helping recruit the talent which the bank needs to become a modern, effective digital organization.
- Remain agile and resilient.
- Seize competitive advantages.

How to do it:

- Clearly define what aspects of their future role banks can and should do themselves, and what industry-leading capabilities they will obtain from a partner.
- Drive agility by trialing and embedding these new capabilities while divesting those that are no longer relevant.
- Seek to participate in fluid ecosystems that evolve quickly and easily in response to changing market requirements.
- Use technology to help manage partnerships in an agile way, with minimum bureaucracy, to reduce time-to-market and become a preferred ecosystem partner.

Who's doing it:

Grupo Santander launched its global payments platform PagoNxt at the end of 2020 to consolidate its most innovative payments assets and build on the established Getnet merchant acquiring solution. The aim of the standalone operation was to develop a holistic customer-centric offering comprising a range of payment options and integrated value-added services.

PagoNxt grew strongly in its first two years. By the end of 2022 it had 97 million cards in use globally, generating €4 billion (USD4.3 billion) in revenue. It processed 30 billion transactions, with this number expected to increase by more than 50% by 2025. It also expects its cost per transaction to decline by 20% over the next three years and its EBITDA margin to rise from 9% to 30%. A common cards platform for the group is being developed in Brazil, which will go live in all of Santander's markets by 2025. The platform is projected to deliver savings of 25% a year and allow the bank to tap into new revenue pools.

PagoNxt's autonomy has allowed it to develop a strong technology talent pool and culture—60% of its people have a tech background. In addition to serving Santander's payments needs it has the freedom to explore open market opportunities and innovate non-traditional solutions for individuals and businesses.[9]

Talent

It's difficult enough transforming your organization when you have the right people in the right places, doing the right things; without them it's an uphill battle. Banks have had to come to terms with the fact that they are no longer the preferred employer for young job seekers. Nor can they easily recruit the experienced technology professionals who are vital to their transformation agenda, and who are being courted by employers in every industry. To avoid simply throwing money at the problem, banking leaders should think strategically about the changes they need to make to attract and retain the right people, and to utilize their skills as productively as possible.

9 Thriving organization

What it means:

In most banks today, productivity is not about people working harder — it's about driving change in how they work through the intersection of technology and talent. The blending of essential elements — process, automation, data and AI, and real human experience — allows them to rethink work structures and craft new roles. It will also create an environment that helps people to achieve their career aspirations, and the bank to achieve better business outcomes. Thriving organizations integrate each new wave of technology, blending it fully with other levers to maximize its benefit.

Why it matters:

By unlocking potential through new technology and new ways of working, banks can:

- Attract, engage and keep the most critical talent.
- Build skills for today and be ready for the requirements of the future.
- Set new standards for human productivity, with increasingly profitable growth.

How to do it:

- Start with the work that will need to be done, understanding who will do the work: humans, technology or both. A recent analysis conducted by Accenture found that 79% of US bank workers' tasks, and 66% of their time, could potentially be automated or augmented by generative AI (Figure 3).
- Focus on the skills required for the human work needed by the bank and take a people-centric approach to constructing the new and evolved roles.
- Build the capabilities that enable the application of those skills by creating experiential in-role learning that allows people to continuously develop for the future.
- Wire the bank to encourage working in new ways through incentive programs, performance plans and organizational behaviors.

10 Dynamic workforce

What it means:

This approach uses the right workforce for the right type of work, optimizing the use of multiple models (full-time, partner, contractors, etc.) to drive productivity and fulfillment. Leveraging data and AI models to understand the skills the bank has and those it will need is a critical first step in building a talent marketplace that enables individual mobility and the availability of required skills. Within five years, leading banks will seamlessly knit the various workforce models together to set the industry benchmark for retention based on winning experiences and opportunities.

Why it matters:

With clear visibility into dynamic talent demand and supply, and the ability to source the best — either within or outside their organizations — banks can:

- Create a dynamic talent marketplace that enables workers to smoothly move to new opportunities.
- Build a flexible and efficient workforce — with never too many or too few people.
- Ensure the enterprise fluidly acquires rare and high-demand skills.
- Drive innovation, productivity and collaboration through internally mobile employees.
- Keep desired talent at the bank for longer by fully engaging them through career growth opportunities.

How to do it:

- Adopt flexible and data-informed ways to manage the talent pool, allocating people with the right skills and potential to the right roles.
- Build a real-time, two-sided platform that connects workers with various types of work and development opportunities suited to their skills and aspirations, and connects HR, managers and leadership to the best talent in a fully autonomous fashion.
- Employ the full spectrum of workforce models, anticipating emerging needs for new skills (made possible by visibility into the value chain) and meeting those needs through skilling and hiring.

11 Modern leaders

What it means:

Many banking leaders say they and their leadership teams lack the skills and behaviors to succeed in Total Enterprise Reinvention, and that this is one of the most important factors delaying enterprise reinvention. Banks that challenge themselves and their senior leadership teams to identify how they need to lead differently in a rapidly changing context are the ones that can then lead people to grow their own skills and potential through reinvention.

Every bank is now a digital bank, and leaders must be fluent in both data and technology, and skilled in identifying and capturing new possibilities. Guiding a company through change requires courage, comfort with the unknown and a humble openness to learning from non-traditional sources such as fintechs, ecosystem partners and the newer generations of customers and colleagues.

Why it matters:

Modern leaders successfully lead through ongoing reinvention because they:

- Establish a dynamic talent marketplace.
- Create a purpose-led bank that inspires all employees, unlocking potential to spark change and innovation.
- Start with themselves, developing the skills, mindsets and capabilities to lead continuous change.
- Build a strong pipeline of leaders who have the motivation and capability to reshape the market.

How to do it:

- Prioritize possibilities by developing leaders with open minds and the courage to continually challenge preconceptions.
- Nurture the foundational skills of problem-solving and collaborating, along with expertise in technology, data and analytics.
- Continually invest in new skills and reverse-mentorship programs that help people learn from the newest members of the bank — often the native experts in emerging areas.

Who's doing it:

Lloyds has set up a new digital transformation plan to maximize the potential of people, technology and data. The bank restructured its business and technology teams to set up a new platform-based operating model that brings together expertise in cross-cutting, multi-functional teams to drive greater accountability and collaboration. The new technologies — such as cognitive and machine learning, cloud and API channels — will provide more personalized propositions to meet customer needs.

Lloyds is transforming ways of working and enhancing its talent pool by focusing on "skills of the future". It is adopting agile methodologies for more than half of its change projects. It is also increasing its investment in developing in-house capabilities, boosting training hours by over 50% and focusing on the key skills its workforce will need for the future. Leaders, being critical to cultural change, are brought together in a program called "Grow with Purpose" to explore the bank's purpose, strategy and organizational shifts. Lloyds has also launched its "Catalyst" program, involving 10% of its workforce, to help drive change through the rest of the organization.[10]

Overarching capabilities

We have identified two additional capabilities that will equip banks to deal with increasingly urgent priorities: risk and compliance, and sustainability. They are enabled by all 11 of the capabilities described above, and while they are important to the bank's customers, they also matter to its shareholders, to regulators and to society at large.

12 Holistic risk and compliance management

What it means:

These enhanced, forward-looking capabilities help banks monitor the full array of financial and other risks confronting them. They allow banks to understand the interdependencies of these risks and their impact on each other, and to develop appropriate strategies to mitigate them — while also managing an increasingly complex regulatory agenda.

Why it matters:

- New emerging risks and an increasingly demanding regulatory landscape require banks to deal with multiple strands of complex change, happening rapidly and simultaneously across the enterprise.
- These risks are more interconnected than ever and cannot be addressed in isolation.
- To properly understand and manage this complexity, banks need to significantly improve their risk management capabilities while enhancing operational efficiency to reduce costs.
- Customers and other stakeholders value transparency, integrity and responsible practices.

How to do it:

An effective risk and compliance response demands that banks:

- Involve their entire C-suite.
- Secure cross-enterprise participation.
- Embed risk scenario analysis into the bank's strategic decision-making, enabling proactive identification and mitigation of risks.
- Rely on key enablers to help the bank analyze vast amounts of data, identify patterns, detect risks in real time and respond proactively. The enablers are:
  - Data fusion across the enterprise
  - AI, ML, and big data and analytics
- Expand the bank's use of managed services for specific risks that require externally sourced data, more advanced risk calculation models and engines, and scarce skills.
- Integrate risk management solutions utilizing RPA, generative AI and other digital levers to meet compliance obligations more efficiently.

Who's doing it:

Intesa Sanpaolo launched the Anti Financial Crime Digital Hub, an innovative hub that uses new technologies — including ML and AI — to detect financial crime risks more effectively and achieve compliance with evolving regulation relating to anti-money-laundering and counter-terrorism financing.[11]

13 Sustainable and responsible business

What it means:

Reviewing the bank's products, policies and practices in light of the environmental, social and governance (ESG) dimensions of being a responsible business. This particularly includes becoming a steward of the corporate sector's transition to a net zero economy. This relatively new strategy encompasses all aspects of the bank's operations, and extends to its offerings, workforce and IT strategies, supply chain, customer base and more, and includes factors such as biodiversity, social balance and diversity.

Why it matters:

- Banks are at the forefront of the climate challenge. Just under 60% of the executives we surveyed in our 2022 Net Zero Banking study said it was their bank's aim to assist all their corporate clients, across all industries, to achieve net zero carbon emissions.
- Stakeholders — including regulators — are pressuring banks to report openly and credibly on their progress in limiting carbon emissions.
- As our 2022 study Our Human Moment shows, forward-thinking and -acting banks can position themselves prominently as responsible citizens and a positive force in helping save the planet.

How to do it:

As the enablers of capital, banks are ideally positioned to develop green banking products that give rise to and leverage new policies, processes and technologies.

- They should provide liquidity and financial services that are aligned with sustainable practices.
- They will need to recruit and develop industry specialists who can help customers plan and execute their various net zero journeys.
- Banks should develop the data capability to track and report progress.
- Many banks are already including climate-related financial disclosures in their public reports. All will soon need to do this, with standardized metrics and methodologies.

Who's doing it:

ESG data is central to most banks' sustainability agendas. A large global bank has adopted a proactive approach to data management that includes having a center to coordinate the ESG data requirements of the entire organization. The center not only sources the data but also demystifies it, ensuring that everyone speaks the same language.

The value of Total Enterprise Reinvention for banks is clear, in both financial and non-financial terms

Financial impact

In our banking analysis, we showed that Reinventors are achieving 1.2 percentage points higher pre-tax return on equity than the average bank in their respective countries. This is due, in part, to a 1.3 point lower cost-to-income ratio and a 37 basis point lower opex-over-assets ratio.

Rapid results

Our cross-industry study revealed similar findings. Reinventors across industries deliver 1.3x more financial value in the first six months of their transformation programs than their peers. This is predominantly because of their ability to move at greater speed, enabled by their more sophisticated technology infrastructure and ways of working; 66% of them say they are moving "significantly faster" than before.

360° value

Companies that have committed to reinvention already deliver better and broader value than their industry peers: 32% better on sustainability and 31% better on experience — for customers, suppliers and employees. They also score 11% higher on innovation, 11% higher on "net better off" outcomes for talent and 7% higher on inclusion and diversity.

To achieve this value, it is important to understand that Total Enterprise Reinvention is an opportunity to turn disruption to the bank's advantage. Continuous reinvention enables the organization to transcend not only its present practices, but also its future possibilities. There's no going back — in fact, the gap between what technology makes possible and what's being done in practice is widening, and the urgency to act is escalating.

In short, we believe that Total Enterprise Reinvention isn't just important — it's imperative. And over the next 10 years it will become the norm in the banking industry. Those that embrace this philosophy the most profoundly and rapidly will be the most successful in the long term, and most able to withstand whatever the future holds.

Ready to get started?

Reach out to talk with one of our industry experts about Total Enterprise Reinvention and to complete a diagnostic to assess your organization's performance and ambition against industry peers.

[Contact us]

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