

The Reset

Accelerating the business value
of technology in Financial Services

BCG



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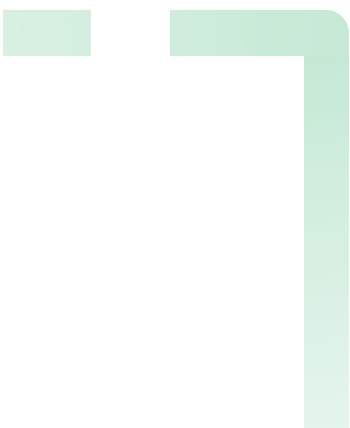
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About this paper

Boston Consulting Group (BCG) and Salesforce have collaborated to explore how modern technology platforms can help the financial services industry unlock significant value, accelerate transformation outcomes, and deliver greater experiences for customers.

While the value at stake is significant, successful transformation through technology is not guaranteed. Drawing on insights from other successful endeavours, this paper explores how financial institutions can realise the true value of contemporary technology platforms. It identifies the common pitfalls that financial institutions experience, which can lead to lower value creation, increased costs and longer delivery timelines. It also reveals how industry trailblazers have:

- increased their odds of success when implementing new technology platforms,
- accelerated value creation, and
- used technology as a catalyst for wider transformation.

The findings of this paper are underpinned by quantitative and qualitative research, including survey responses from across all levels of the financial services landscape. The paper also includes insights from six key industry leaders, complemented by experience from Salesforce and BCG.

The paper comprises three parts:

- **Part 1 – explores the value that a modern technology platform can unlock** for financial institutions.
- **Part 2 – dissects the common pitfalls** that prevent organisations unlocking the enduring value of a modern technology platform.
- **Part 3 - defines three ways to extract value faster**, that ultimately enables technology to become a catalyst for transformation outcomes. This section includes insights from pioneering organisations that are leading a new wave of success.

Executive summary

Financial institutions are facing unprecedented headwinds – from post-pandemic impacts, to inflation, skills shortages, and industry competition. Further, the pre-pandemic threats and opportunities that initiated transformation efforts – increased consumer expectations, digital disruption, regulatory scrutiny and pressure on revenue and cost performance – have only accelerated. As a result, transformation efforts need to deliver greater business value, faster.

To pursue their transformation ambitions, financial institutions have turned to technology, data, and AI solutions. These solutions can reduce business costs over the long term. They can also enhance employee and customer satisfaction and drive revenue growth. Modern technology platforms also offer financial institutions the ability to deliver on compliance requirements, while creating significant value.

While the value at stake is apparent, realisation often remains elusive. Many organisations attempting to implement new technology platforms get caught in common pitfalls between strategy and operational execution. These include a lack of clarity around transformation objectives; insufficient business involvement; poor understanding of how the technology can support them; and a focus on short-term improvements in a fast-changing environment. BCG data highlights that only 42% of financial services organisations meet or exceed their expected value creation from transformation efforts¹. Clearly, there is room for continued improvement.

Our findings share insights from successful endeavours, and reveal three ways that the financial services industry can accelerate value from technology:

1. Orchestrate around the customer and clarify the value creation path.

Our research shows that over 30% of financial institutions embarking on a transformation lose sight of the end point during delivery². This highlights the need for a new approach to technology transformation – one that combines long-term strategic planning with clear incremental delivery. A use-case driven approach bridges strategy into practical delivery by defining clear outcomes and the associated implications on technology, people, process, and governance. By applying a use-case driven approach, financial institutions can prove out the value of technology investments, and scale with certainty.

Andrew Irvine, Group Executive for Business and Private Banking at NAB, highlights how this approach has helped drive a key program of work:

“When we built our business banker platform, we focused on value creation from day one. Time was of the essence; we wanted to deliver ease and simplicity to bankers and customers quickly. Any system improvements had to be delivered at pace and in stages. Perfection and years to deliver was not an option.”

- Andrew Irvine, Group Executive for Business and Private Banking at NAB

1. BCG Analysis Transformation Check Survey 2022.
2. BCG Analysis Transformation Check Survey 2022.

2. Empower the organisation and liberate the technology and data.

The rise of low-code/no-code (LC/NC) solutions is creating a new wave of productivity and speed benefits. These solutions help financial institutions to take advantage of technology and data at scale by placing control into the hands of the organisation. It is projected that by 2025, 70% of new applications will be developed using LC/NC solutions, enabling five to six times faster delivery speeds and time to market³. To realise this potential value, organisations need to:

- grow base-level technology knowledge across the business,
- use out-of-the-box features that can be configured and maintained easily, and
- choose tech platforms that support LC/NC natively.

“We standardised the development of our forms and focused on enabling clickable change that could be owned long-term by our business units. Rather than making technology the gatekeepers of change, we lifted the skill set, made technology a true enabler and the business a true owner.”

- Jon Pascoe, Head of Transformation – Client Services at AMP

3. Gartner, Magic Quadrant for Enterprise Low-code Application Platforms, 2021. Note that this figure is global.

3. Design for change and invest to sustain.

Projects which successfully harness the benefits of a technology platform are largely underpinned by change management. In our experience, data and technology generally represent just 30% of the solution required to unlock value. The other 70% is achieved through non-technical aspects such as redesigning end-to-end processes and policies, cultivating the right skills and capabilities and redesigning the operating setup.

Financial institutions need to take a holistic approach to funding. By adopting a product-based funding model, they can provide ongoing investment and achieve maximum value from the platform.





PART 1

Modern technology platforms and the value at stake

To meet their transformation ambitions, financial services organisations have turned to technology, data, and AI solutions. Successfully harnessing these solutions is likely to reduce costs, increase revenue, and increase employee and customer satisfaction. Modern technology platforms can unlock significant value across organisations, while enabling new table-stake requirements around compliance.

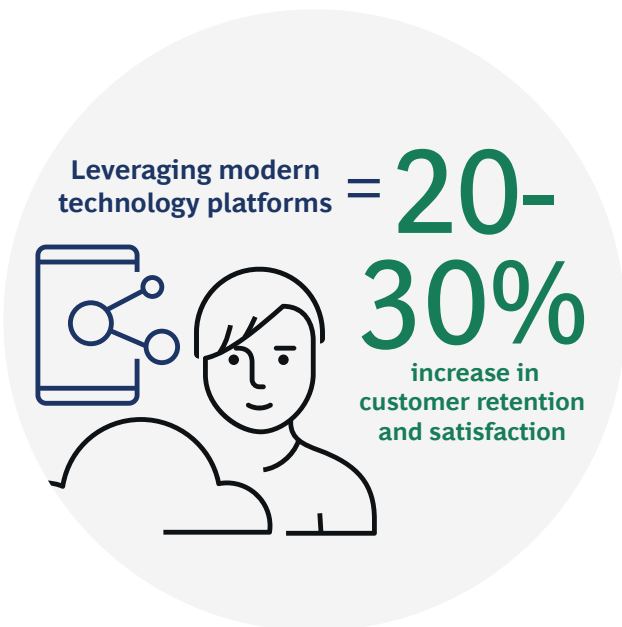
In our experience, technology platforms deliver benefits in at least six ways:





1. Unlock new waves of value creation

Modern technology platforms can help financial institutions meet rising customer expectations, drive top-line growth, and significantly reduce costs. Simultaneously, the platform enables the institution to develop a deeper understanding of customer needs and even anticipate them – exceeding expectations and building stronger customer relationships. Our research shows that when financial institutions leverage modern technology platforms, it is easier for them to aggregate data, derive insights and build a 360-degree view of the customer.⁴ These actions can generate a 20-30% increase in customer retention and satisfaction.⁵ Meeting the customer imperative ultimately fuels top-line growth, with successful organisations reporting an uplift of 10% or more in revenue.⁶



2. Drive operational efficiency

Deployed correctly, a modern technology platform can drive significant operational efficiency across the value chain by reducing margin suppression, decreasing process cycle times and orchestrating resources intelligently. Streamlining and automating processes also leads to further operational improvements. Based on BCG case experience, financial institutions that automate underwriting processes see above-average mortgage and lending processing times, and reduce their costs by 20-25%.⁷

Technology platforms also drive efficiency for financial institutions when they connect disparate processes across product lines, customer cohorts and between front and back offices. Improving and integrating processes end-to-end and front-to-back across multiple products shortens process cycle times and reduces manual handling. Modern digital platforms can also be used to reimagine account opening and onboarding journeys at mid-large regional banks with low Net Promoter Scores (NPS) and complex processes. Our experience shows that these improvements can deliver a 3-5% increase in account revenue for new customers, and reduce the overall cost of processes by 15-20%. We also find that financial institutions that use digitisation can integrate and improve exchange to exchange (e2e) processes to deliver

- 95%+ straight-through processing (STP) for simple products,
- 80%+ STP for complex products, and
- 80%+ first-time-right for key processes.⁸

4. Salesforce FY22 Customer Success Metrics.
5. Salesforce FY22 Customer Success Metrics.
6. Salesforce FY22 Customer Success Metrics.
7. BCG analysis.
8. BCG analysis.



3. Accelerate innovation

Financial institutions can also use modern technology platforms to commoditise aspects of innovation, enabling them to keep up with industry disruptors cost-effectively. With the right technology platform, an organisation can access hundreds of new features each year. While not every feature will be relevant for a particular organisation, being able to cost-effectively configure a proven feature can reduce an organisation's innovation and development costs, accelerate time to market, and keep pace with a constantly evolving industry. Modern technology platforms can fuel incremental improvements, allowing organisations to redeploy talent behind strategic imperatives.



4. Meet and exceed customer expectations

When orchestrated correctly, a modern technology platform can unlock a strategic innovation loop, allowing organisations to experiment at scale and take greater risks on potential opportunities – for example, by providing them with the ability to build new digital products for specific customer cohorts. They can use customer datasets to understand and predict customer needs, generate new ideas and rapidly develop experiments to prove value. With a flexible technology platform underpinning the innovation loop, organisations can deliver repeated impact using a common platform. Organisations can reduce the cost of initiatives, and move from strategic inception to implementation faster, allowing financial institutions to respond to market shifts and customer needs faster and more cost-effectively.





5. Enable compliance at scale

Financial institutions are required to adhere to increasing levels of regulatory compliance. Many take a fragmented approach, which results in high-cost investments in technology and operational design that solve discrete regulatory issues (such as complaints management), but which fail to realise the benefits of a unified relationship across the full journey.

Modern platforms can integrate a range of systems to provide a comprehensive, unified view of the customer and their history with their financial service provider. By focusing on a platform approach to regulatory compliance, financial institutions can meet – and accelerate – their regulatory compliance reporting while building a holistic view of their customer base. A platform approach to compliance will increase work upfront compared to a quick bolt-on solution, but the ongoing benefits far outweigh this investment by setting up financial institutions with a more agile, comprehensive response to current and future regulations, while reducing cost and risks and improving customer, employee and partner experiences.



6. Support strategic partnering and ecosystem development

A modern technology platform is interoperable and can easily connect into the extended digital ecosystem. This allows financial institutions to pursue a variety of partnership models. Incumbent financial institutions can partner with smaller, niche providers such as fintech or insurtech that focus on specific segments of the market to jointly develop a tailored customer experience. This gives organisations lower-cost access to a broader customer base, and access to customer data that can support portfolio management, risk management, and internal innovation.

Additionally, in a low-profitability environment where consumer preferences change rapidly, an open ecosystem allows financial institutions to scale rapidly to meet the evolving needs of customers without significant investment. Through an open ecosystem, financial institutions can provide more of these services, gaining this revenue and future customer wallet share.

Using modern technology platforms, financial institutions can foster collaboration and partnerships in an ecosystem, with multiple partner engagement options already well established:

- Improving operational efficiency and reducing costs by acquiring or upgrading internal capabilities through client-vendor relationships, white labelling solutions or integrating digital platforms with partners
- Improving revenue from existing products and customers, and generating new revenue streams by extending the reach of new products to new segments and markets, launching new products and services, or building fintech ecosystems. Models include white labelling, integrating platforms, referrals, API partnerships and co-creation
- Identifying and validating new digital opportunities by conducting early cross-industry demand testing of new products and technology or participating in tech education and ideation to spot new opportunities through capital investment, incubation or industry group membership.

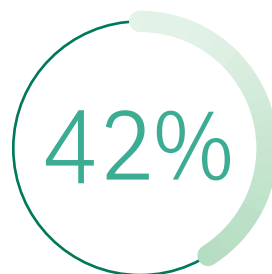




PART 2

Pitfalls on the road to success

The value of transformation through technology is apparent. However, for many organisations, realisation remains elusive. BCG data reveals that only 42% of financial institutions meet or exceed their expected value from transformation efforts.⁹ More than half of companies undergoing transformation efforts fail due to inflexibility and limitations of their underlying technology. There is clearly room for improvement.



of financial institutions exceed their expected value from transformation efforts

9. BCG analysis, Transformation Check Survey 2022.

5 common pitfalls

Most organisations that attempt to transform their business through modern technology platforms experience common pitfalls throughout the process – from the strategic planning phase right up to operational execution. Upon examination, the most common reasons for failure lie in the execution and not in the technology itself. Drawing on BCG case experience and research and extensive interviews with industry leaders, we identified **5 common pitfalls for financial institutions when delivering technology-led transformations**:

1

Lack of clarity on the customer and case for change

Lack of clarity about the customer imperative, the case for change, and the role that technology plays can lead to misguided and conflicting transformation investments. When initiatives are driven purely to enhance products or services but not linked directly to the customer need, financial institutions risk trying to solve problems that don't exist. Similarly, if they focus on digital solutions that improve the customer experience but are not explicitly linked to business value, customer satisfaction can increase, but at an unsustainable cost and great burden to the organisation. For technology transformation to be successful, it must be driven by a unified case for change and tie both the customer experience and organisational benefits together (e.g., automation and driving cost out).

2

Misalignment between risk and investment appetite

Misalignment between ambition and risk appetite can lead to unfulfilled expectations and goals. For many financial institutions, past efforts to address underlying technology issues have delivered low value and significant cost and time overruns. These experiences have become cautionary tales that drive disproportionate negativity around an organisation's ability to deliver transformations, thus creating a risk-averse culture. Boards can further reinforce this culture of risk aversion if they are hesitant to place substantive investment and funding behind technology and organisational change programs, based on negative past experiences and industry tales. This lack of sustained funding sees transformation efforts treated as a series of defined initiatives with an explicit end point, rather than an ongoing program that evolves, with an investment that fluctuates to meet the challenges and value at stake.

3

Lack of coordination and emphasis on change

Technology, digital and transformation efforts are often disparate and siloed, resulting in incrementalism and duplicated efforts and investments. Despite establishing transformation offices and management functions, financial institutions may continue to deliver projects that are driven by specific business unit requirements. This can result in isolated solutions that fail to scale, become cost-effective and provide an organisational-wide advantage.

In addition to lack of coordination, technology transformation programs disproportionately emphasise getting the technical solution right. They channel most investment and effort into standing up the right technical solution, rather than solving for the surrounding organisational change to operationalise a new platform. As a result, there is insufficient support and capability to fully utilise the platform and extract its value.

5

Poor measurement and management of transformation

Measuring the impact and returns delivered from technology investment has been historically difficult to quantify. Financial institutions have struggled to measure the impact that transformation programs have on the organisation, particularly the value created from technology initiatives. This is often due to a lack of set-up and tracking of clear KPIs from the outset; but also because it is difficult to measure technology's impact on itself, because it is an enabler of other outcomes. This inability to measure success leads to challenges in the scoping and complexity of initiatives, overruns in cost and time, and a loss of faith in the value of technology programs.

4

Prioritising renovation over revolution

A risk-averse culture and quarterly pressures can lead financial institutions to prioritise near-term value. They may invest in technology that is incremental, designed to deliver short-term goals, and fails to support long-term transformation ambitions.

In addition, the costs of maintaining technology and increased operational demands take away from discretionary and project-based technology spending. These cost pressures can limit the scope of transformational change to smaller, short-term initiatives that prioritise spot fixes and do not revolutionise the underlying technology. By prioritising these short-term incremental changes, financial institutions diminish the value from technology investment and slow progress towards transformative goals. In worst case scenarios, a strong emphasis on short-term incremental changes can cumulatively build up technology debt that adds to the cost and complexity of operations. This approach hinders the ability to move beyond legacy technology – something that requires a transformative leap.

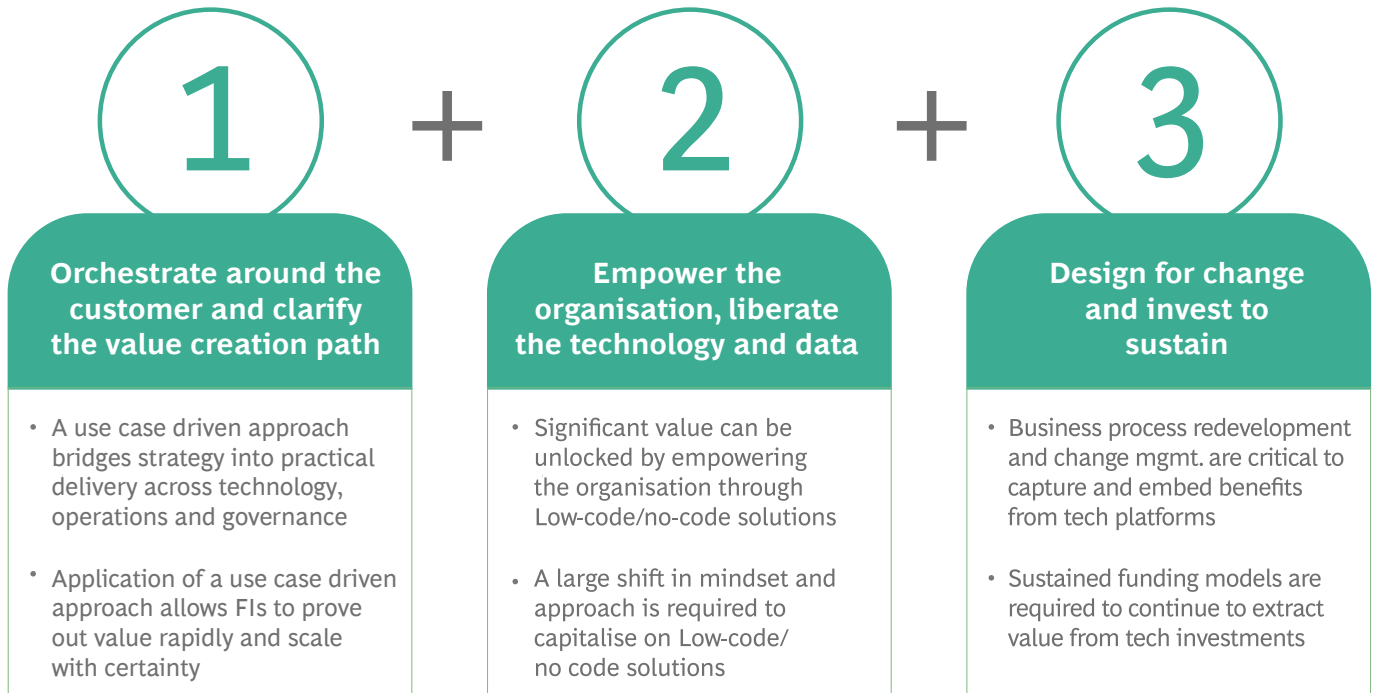


PART 3

Three ways to extract value faster from modern technology platforms

Contemporary technology platforms represent significant value and can act as a catalyst for transformation. Our research and insights from successful endeavours indicate three ways for organisations to accelerate value creation from modern technology platforms.

Our research reveals 3 ways to accelerate value creation through a modern technology platform



1. Orchestrate around the customer and clarify the value creation path

Our research shows that over 30% of financial institutions embarking on a transformation lose sight of the end point during delivery.¹⁰ Clearly, an alternative approach to technology transformation is needed – one that combines long-term strategic planning with clear incremental delivery.

We suggest a use-case driven approach, which bridges strategy into practical delivery by defining clear outcomes and the implications on technology, people, process, and governance.

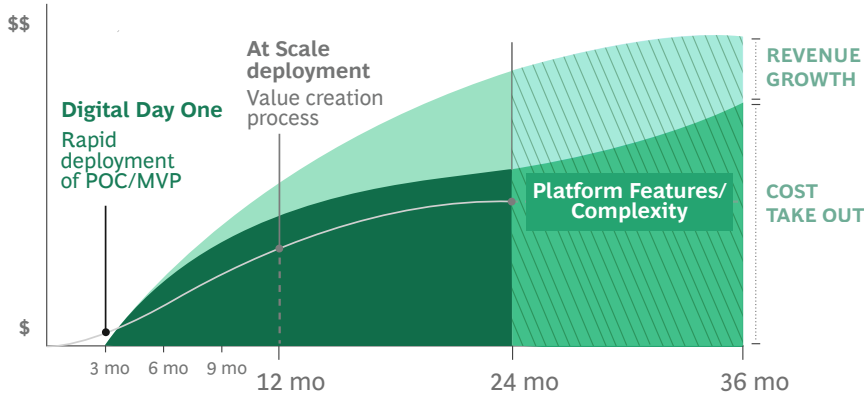
A use case describes the application of technology and data in the context of a business and or customer outcome. In a financial services context, a use case could be the delivery of a personalised onboarding experience for banking customers.

10. BCG analysis, Transformation Check Survey 2022.

Figure 1

A use case driven approach focuses on incremental value creation, cost out and outcome delivery from day one ...

... and has significant advantages over more traditional cascading approaches to tech delivery



- 2x** Faster time to market
- 50%** Reduction in cost
- 2x** Increase in value creation

A use-case driven approach allows incremental delivery that builds towards a clear outcome (see Figure 1) for the customer and the organisation over time. It provides financial institutions with significant advantages:

- stronger control over investment and cost
- the ability to pivot work based on market shifts, and
- increased traceability from strategy through to execution.

Importantly, a use-case driven approach places ownership with the business rather than technology, ensuring value creation remains at the forefront of execution. By focusing on use cases, organisations can prove value rapidly and then scale with certainty. Organisations that use a use-case driven approach can get to market twice as fast as those that don't. They also achieve a 50% reduction in development costs, and create twice as much value.¹¹

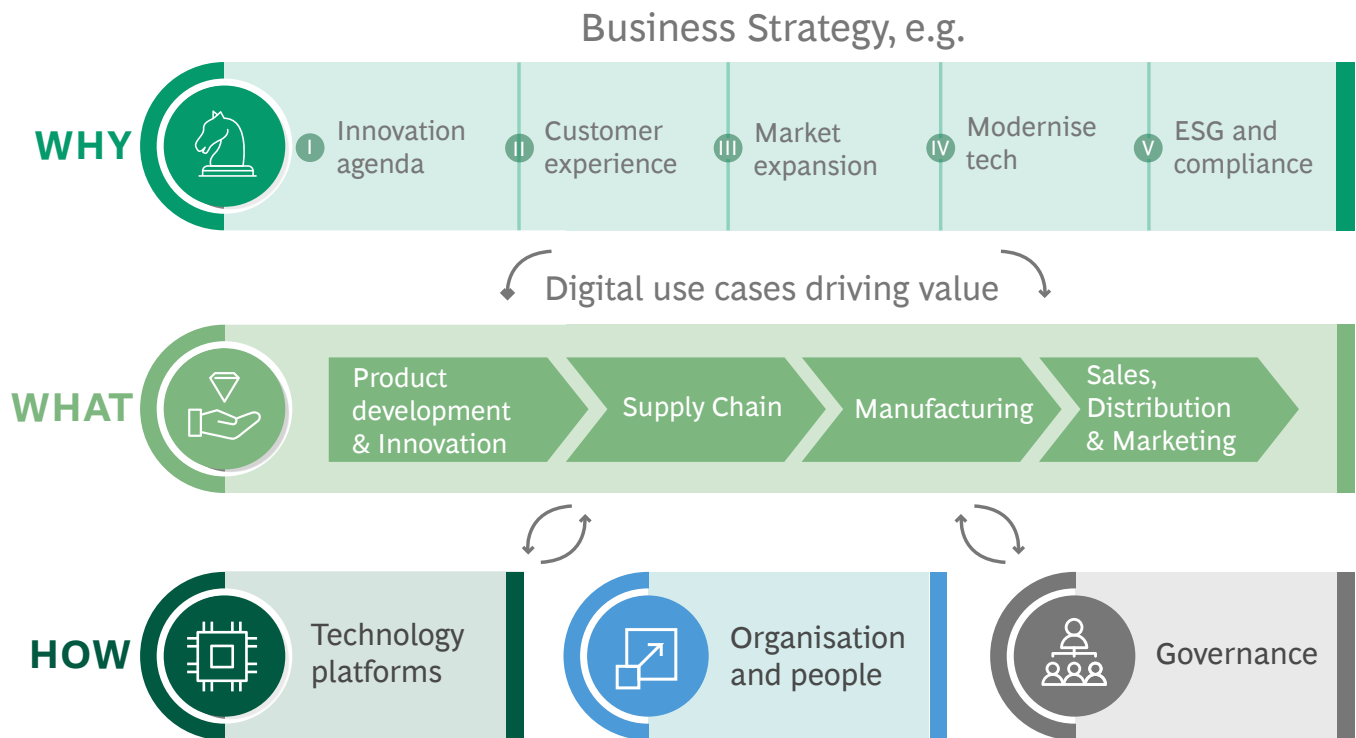


11. BCG analysis

Figure 2

FI's need a new approach to technology transformation that combines long-term strategic planning with clear incremental delivery

A use case is the application of technology and data in the context of a business outcome



To adopt a use-case driven approach, financial institutions need to start with a clear case for change and end point. Our research shows that this can double the chance of transformation success – when done correctly. To set up the initiative for success, organisations need to start with a clear view of the customer and employee outcomes that they want to deliver and understand the value at stake. They should view the entire, end-to-end value stream – and then work backward to orchestrate the organisation’s process, capabilities, and technology.

With a clear strategy set, it can then be broken down to identify the underpinning technology and data outcomes required to deliver the overarching strategic ambition. Each use case needs to have a clear link back to value, and an understanding of the technical feasibility and any change implications. This allows the organisation to form a view on what is required in a minimum viable product (MVP) to deliver value today while setting the foundations for realising value at scale.

NAB: Enabling bankers to deliver a better experience for customers

“When we built our business banker platform, we focused on value creation from day one. Time was of the essence; we wanted to deliver ease and simplicity to bankers and customers quickly. Any system improvements had to be delivered at pace and in stages. Perfection and years to deliver was not an option.”

- Andrew Irvine.

Andrew Irvine, Group Executive for Business and Private Banking at NAB, and his team developed a business banker platform that fosters a deeper relationship between customers and bankers. Andrew tells us, “It’s simple; we want to make it easier for our bankers to get closer to our customers.”

For bankers, remaining informed on the customers’ needs is rarely simple. Before developing the business banker platform, each banker would have to work across multiple systems, often with incomplete data sets, to form a view on the best action to take with a customer. This highly labour-intensive process led to increased risk, missed opportunities, higher costs, and an inconsistent customer experience.

With a desire to lift the standard of customer experience and enable bankers to be more effective, NAB defined a series of use cases that articulate the customer and banker requirements, the functionality needed, and the value at stake. These inputs were prioritised, allowing the team to identify the first wave of use cases that would deliver genuine utility to bankers and customers. The team landed on four key uses cases: predictive needs-based leads, predictive retention management, consolidated view of customer interactions, and notifications for servicing calls. Over the next six months, the team leveraged the Salesforce platform to deliver on three of the four use cases, combining over 300 disparate data points into a single source of truth, creating sharper customer insights and next-best-action advice to bankers.

The banker platform at NAB was rolled out in a pilot phase and embedded into the workflow for a third of bankers across the business bank. This approach provided the team with the opportunity to gather feedback early. Notably, the pilot highlighted the cultural shift and change management required to scale the platform successfully, “You can have the best technology in the world, but it is going to be useless if bankers don’t use it,” says Andrew Irvine. The pilot allowed the team at NAB to not only refine

the technical solution, but also implement sufficient change management to drive adoption and success.

Now 12 months from inception, NAB is rolling out the platform across the entire business bank and seeing results; the platform has enabled higher conversion rates, lower portfolio risk, and a more productive workforce. “With this platform in place, we can know when a customer is facing stress or looking for support with a new opportunity, and our bankers can support more proactively,” says Andrew Irvine.

The NAB journey showcases the value of a use-case driven approach. The experience at NAB highlights how technology can be rapidly and iteratively deployed at lower cost, and less risk, all while delivering greater value to both the organisation and its customers.



2. Empower the organisation and liberate the technology and data

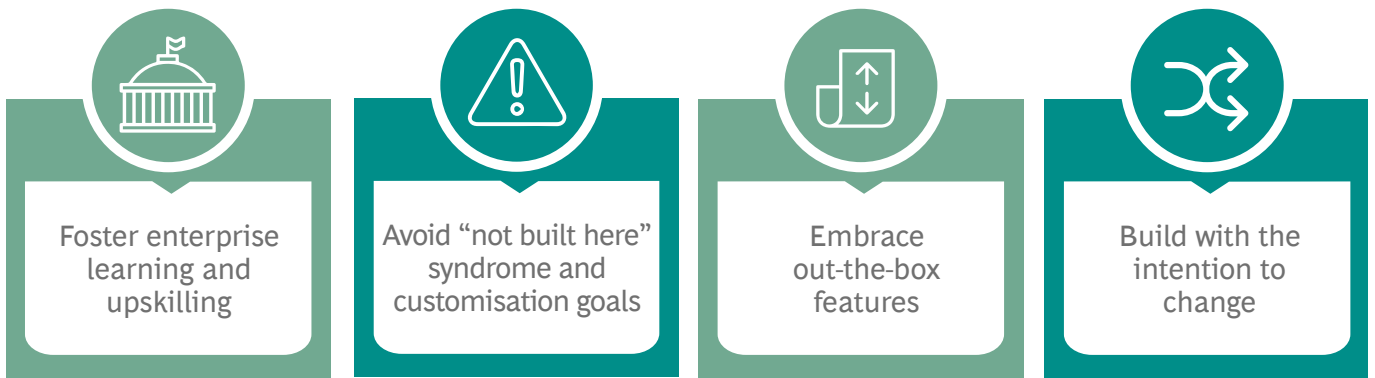
The rise of low-code/no-code (LC/NC) solutions is creating a new wave of productivity and speed benefits for organisations. It allows financial institutions to take advantage of technology and data at scale, by placing control into their hands. It is projected that by 2025, 70% of new applications developed by enterprises will be completed using LC/NC solutions,¹² enabling five to six times faster delivery and time to market.

Early adopters leveraging simple LC/NC solutions have already seen modest returns, with cost reductions of about \$5-8 million.¹³ To realise this potential value, organisations need to grow their base-level technology knowledge across the business, use out-the-box features that can be configured and maintained easily, and choose technology platforms that support LC/NC natively.

12. Gartner, Magic Quadrant for Enterprise Low-code Application Platforms, 2021.

13. BCG case experience.

Figure 3



To lift its base level of technical knowledge, an organisation needs to start with a culture of learning and upskilling. Organisations that don't understand a platform's out-of-the-box capabilities and features often end up making large investments that realise limited value and add technical debt. Too often, the disconnect between business outcomes and technical functionality leads to a high degree of customisation, or in the worst scenario, the purchase of a platform that is fundamentally not fit for purpose.

Business units and technology teams need to get closer to the technology and understand the realm of possibilities a platform can provide. Closing this gap starts with taking advantage of training and learning content provided by leading technology platform providers. For example, Salesforce provide a free online learning platform and community called Trailhead to teach the public how to use and leverage its platform. Accessing this sort of training can accelerate value in an organisation by democratising knowledge and delivery capability.

The scale and potential that this training can provide to a financial institution can be profound. For example, 20,000 staff members at South Africa's Standard have attained Ranger Status – the highest learning rank on Trailhead. Such training, combined with proactive partnering with vendors to provide upskilling, allows financial institutions to lift skills and knowledge across their organisations.

Putting technology into the hands of business units requires a shift in mindset. Organisations need to embrace out-the-box features and avoid the 'not invented here' syndrome. The misconceptions that technology must be specifically built to an organisation's specific requirements and that existing solutions deliver lower value, often leads to large-scale, costly, and lengthy customisation programs.

Modern technology platforms are continuously evolving to meet the needs of financial institutions. For example, each year, Salesforce releases hundreds of new and tested features, based on the platform's best innovations around the globe that can be readily

deployed. These features allow financial institutions to benefit from innovation with proven value, a clear deployment path and overall, less risk.

At the same time, while many tech features can be deployed out-of-the-box, organisations need to avoid a blanket approach and remain selective. They should focus on using out-of-the-box features in areas with low strategic value, where the outcome is highly commoditised. Adopting configuration and clicks over customisation and code sets up the organisation to deliver outcomes faster and at a fraction of the cost of customised solutions. In addition, using out-of-the-box features reduces development effort, freeing capacity across the organisation to focus on strategic, high-value initiatives.

Out-of-the-box technology is simpler to maintain than customised solutions because it allows users to make low-code/no-code (LC/NC), clickable change. Business users can take control and ownership, making changes to respond faster to customer and market shifts. While the adoption and support of LC/NC systems is still emerging, there are already a host of examples where it is being deployed – from workflow management to robotic process automation. LC/NC allows users with limited, or no, coding ability to design and manage technology solutions. This results in a lower burden for technology teams who can reclaim and redirect capacity, to higher value initiatives that drive differentiation and competitive advantage.



AMP: Unlocking technology at scale

- ***“Rather than making technology the gatekeepers of change, we lifted the skill set, made technology a true enabler and the business a true owner.”***

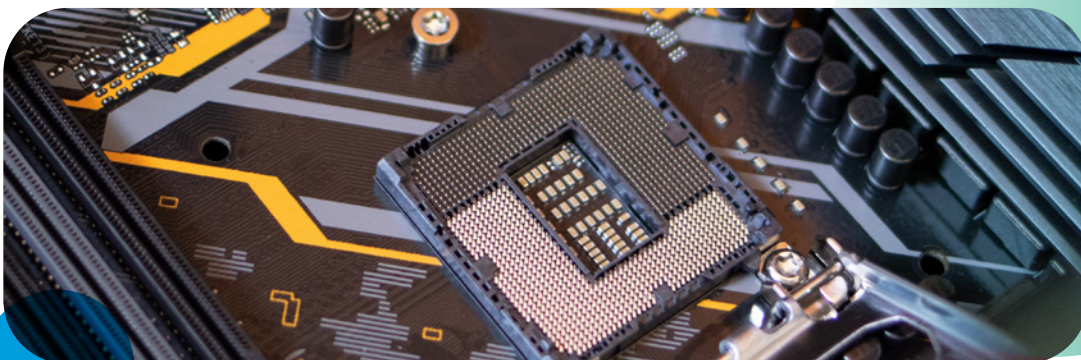
Jon Pascoe, Head of Transformation, Client Services and Lester Chua, Head of Technology, Digital and Customer Channels at AMP, successfully transformed key customer interactions by leveraging out-of-the-box features that required business units to take charge of the technology solution. AMP had invested in several technology platforms across the organisation that were yet to be fully utilised. To truly transform the customer experience while remaining cost effective, the team set out to deliver technology more sustainably. “We could build solutions, but because everything was code, the cost to maintain and change the solution was almost as much as the build, which didn’t really make us a leaner business,” Jon says.

The business needed to transform hundreds of paper forms in a standardised manner. The team absorbed themselves in understanding how they could provide a standardised and low-code option to the business units. The team at AMP understood that while the out-of-the-box solutions might not be state-of-the-art or bespoke, the standard setup with some configuration would provide an outcome above industry standard and enable simpler and cost-effective change in the future. “We standardised the development of our forms and focused on enabling clickable change that could be owned long-term by our business units,” Lester says.

Jon and Lester see this approach as core to continuous improvement. With the ability to make changes directly, business owners could now test, learn, and iterate independently. By leveraging out-of-the-box features, AMP could harness upgrades and innovation at a fraction of the cost, thereby outsourcing aspects of the innovation imperative. “Rather than try to keep innovating on commoditised digital components, we can rely on vendors to do the hard work, and we leverage the benefits at less cost and risk,” says Jon.

The AMP team team project significant cost savings over the next five years and a reduction in IT maintenance and change hours of 60%. This will allow the organisation to focus on true innovation and developing a competitive edge.

The AMP journey highlights the value LC/NC stands to create in the industry. However, this new-wave technology requires organisations to leave large bespoke custom builds behind, and adopt more modular and easier to maintain technology platforms.



3. Design for change and invest to sustain

Successfully harnessing the benefits of technology within an organisation relies on appropriate change management. In our experience, data and technology often represents only 30% of the solution required to unlock value. The remaining 70% comes from the non-technical aspects such as redesigning back-end processes and policies, cultivating skills and capabilities within operational teams, and redesigning the operating setup. Often, organisations miss out on realising full value by failing to consider the path to sufficiently drive technology adoption.

In our experience, there are four keys to successfully driving the organisational change required to embed the value of technology.

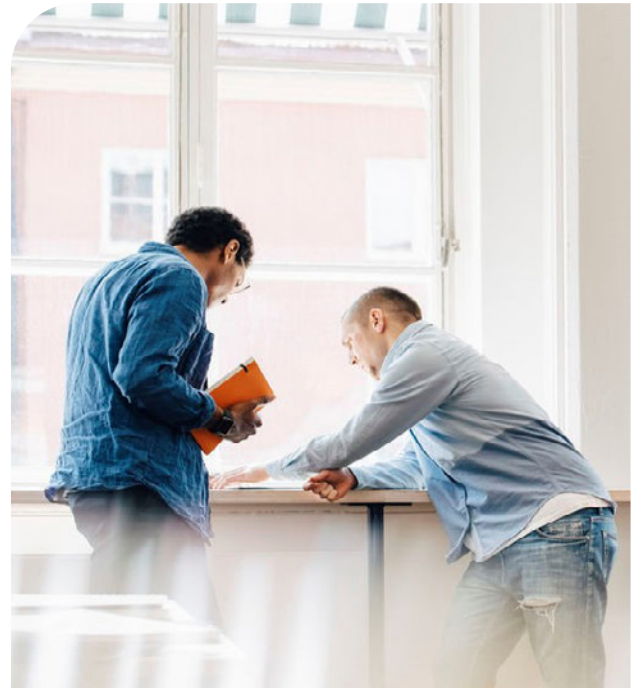
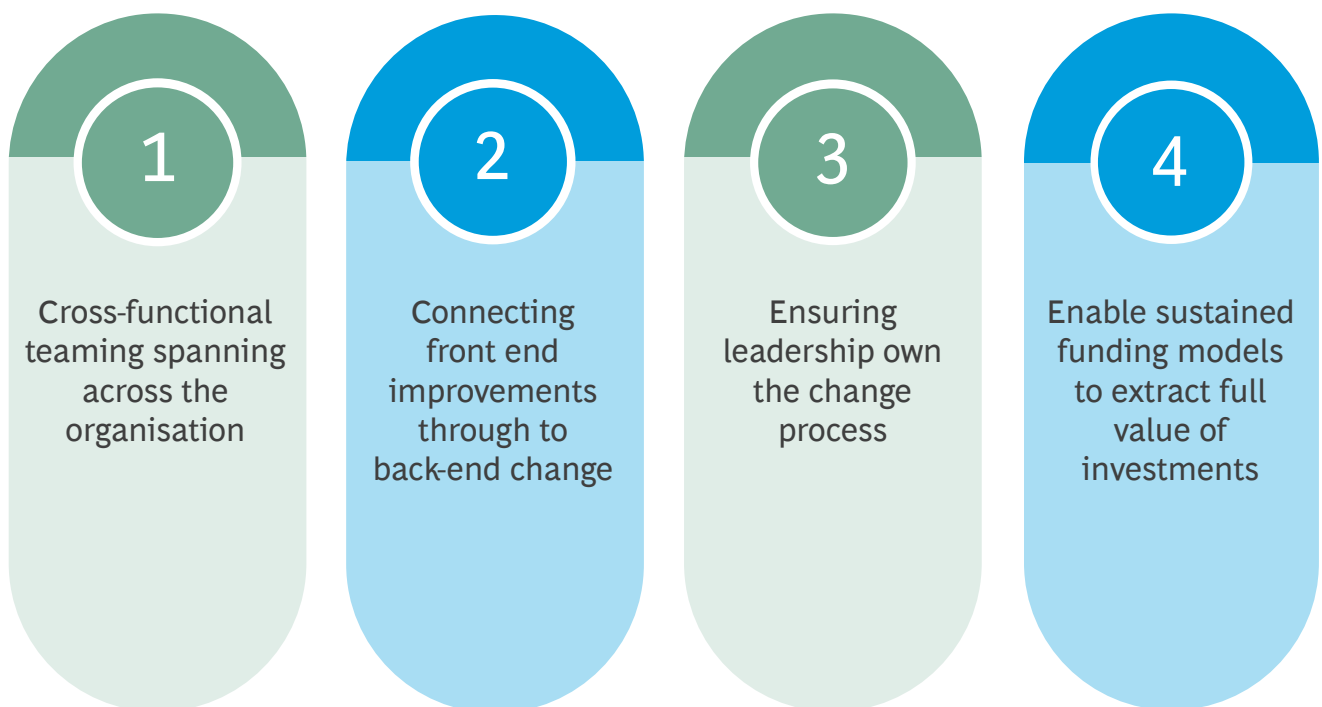


Figure 4



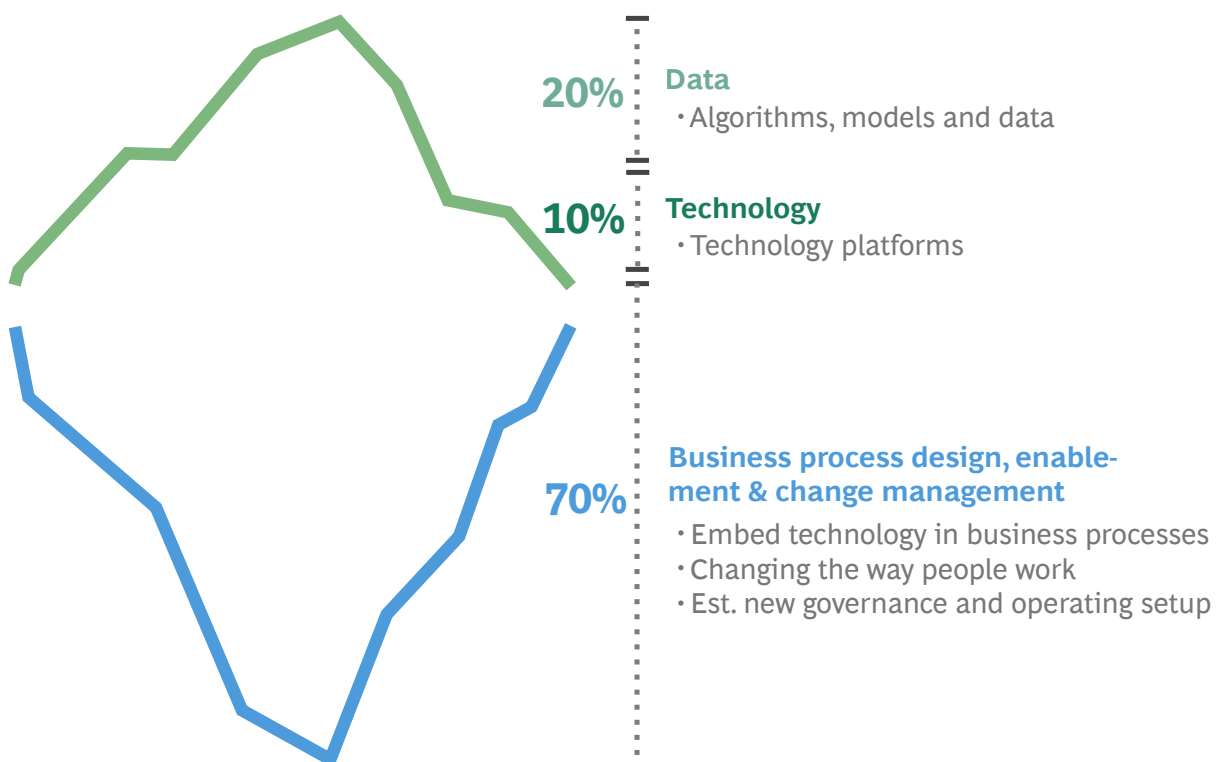
1. Connect front-end outcomes to back-end change

Organisations can create systemic change that captures the value generated from technology programs with a holistic approach that connects back-end processes and operations with front-end customer, employee and organisational outcomes. BCG's front-to-back digitisation approach helps orchestrate this change, by organising around distinct value streams. Value streams are vehicles for change, and are defined by their intended outcome – such as shortening and simplifying home loan application processes, or improving the customer onboarding experience. By organising technology around a value stream, financial institutions can consolidate digitisation initiatives, form integrated cross-functional design and delivery teams, and sufficiently drive operational change.

2. Cross functional teaming spanning across the organisation

Getting the 70% right requires a whole-business approach to building the solution. From inception, business owners, end-users and technology teams need to remain in lockstep. Establishing a cross-functional team that brings together the right mix of skills and perspectives ensures not only a well-rounded technical solution but also clarity on the process and operating changes.

Figure 5



3. Ensuring leadership owns the change

To manage change effectively and drive adoption, organisations need to garner genuine support from leadership. Our research shows that by clearly defining target behaviours for leaders, organisations can double their chances of successfully deploying a digital initiative.¹⁴ Organisations need to prepare and incentivise leaders to drive and own change. They also need to ensure early and frequent two-way interactions with leaders. This creates transparency and builds a forum to gain buy-in. It also fosters a sense of ownership and responsibility and provides leaders with clarity on the role they play in the overall success of the transformation program.

4. Enabling sustained funding models

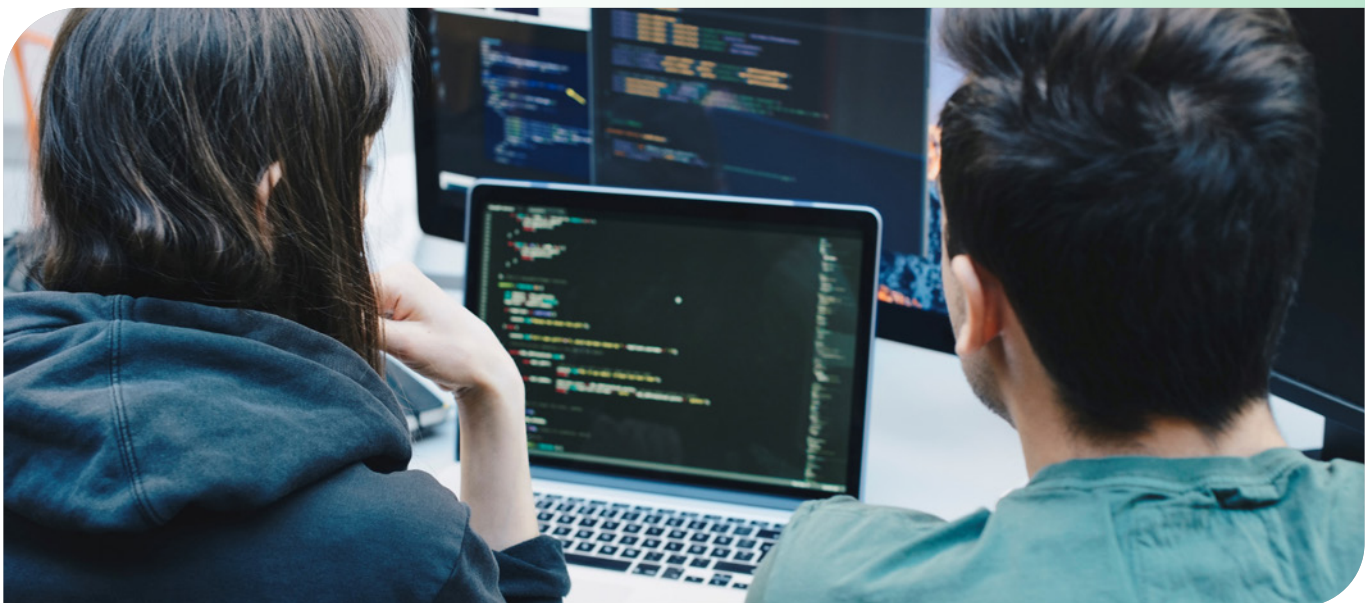
To sustain transformation efforts and ensure value creation remains on track, financial institutions must take a holistic approach towards investment and measure success beyond the bottom line. They must also recognise that unlocking the full value of a technology platform requires targeted and sustained investment.


They should embrace product-based funding, rather than funding based on time and requirements. This approach provides teams with stable, perpetual funding to deliver new platform features and improve existing ones, manage technical debt, and adjust processes as required.

Product-based funding fosters greater autonomy and ownership over the end-to-end product lifecycle. At the same time, it allows for greater domain knowledge. A shift to product-based funding means that costing will live on with the technology and support maintenance, improvements, and scale for the platform.

Adopting product-based funding requires a shift in how organisations evaluate and measure success; in other words, progress is measured in terms of business outcomes achieved, rather than technical accomplishments. Organisations can only extract optimal value from the platform by providing ongoing funding to support it, and developing teams' skills and capabilities to use it. As the outcomes decrease, the organisation can reallocate funding, but some funding should be allocated to support the platform throughout its full lifetime.

14. BCG analysis, Transformation Check Survey 2022.





APAC Financial Services Provider: Reimagining the end-to-end customer experience

A large financial institution with operations across Asia Pacific has been on a journey to reimagine the end-to-end customer experience, while driving operational efficiency across its core functions. Leveraging BCG's front-to-back digitisation approach, the organisation developed a number of key-value streams, including credit card journey, customer relationship management, digital marketing multi-platform integration, lending related customer onboarding and servicing journey, Know Your Customer(KYC), underwriting and cross-sell journey to name a few. Each of these value streams has a clear set of customer and or internal outcomes, a cross-functional delivery team, and ownership from senior leaders.

Starting with its home loan lending experience, this financial institution set out to reduce customer effort and friction throughout the application and lending process. Their aim was to decrease the time to 'yes' to hours rather than days. To enable this vision, the organisation would need to significantly improve its backend processes and workflow, reduce its manual processing, building auto-approval functions and consolidate key technology platforms.

Over the next three months, the team defined the long-term customer experience vision, the underlying process changes and technology

requirements. The team was also tasked with reshaping processes, policy, organisational structure and technology around customer outcomes. This holistic approach resulted in quick wins, such as a 20–30% reduction in form length, which was achieved by realigning requirements for credit processing. The approach has also created more substantial change, such as automated crediting, and a new customer management platform.

This level of change required buy-in and alignment from multiple stakeholders and teams. To move effectively, the organisation assembled a cross-functional team with skills across the value stream. This resulted in faster and more informed decision-making, and a change in process. As a result, technology that would have taken months to solve could now be resolved in a matter of hours.

Since its inception, the organisation has scaled the front-to-back program across the business, with KYC, credit cards and underwriting programs currently running. Home loans are now firmly in the delivery phase, with the team working to deliver:

- digital data and ID capture
- automated decisioning
- paperless processing
- simplified credit and risk profiling
- digital signing.

Thanks to these improvements, the organisation is on track to deliver a one-day turnaround on home loan decisioning.

Conclusion

In a world of uncertainty, one thing is sure – new technologies and business models will continue to disrupt the financial services sector. To keep pace with this changing environment, market-leading financial services firms are focused on capturing the full value of their new technology investments – while constantly transforming their processes to deliver exceptional customer experiences.

Successful firms have broadened their focus from seeing technology as the solution, to defining the business processes that the technology is ultimately designed to support. They seek to embed technology in business processes, rather than the other way around. They are also changing the way they work so that their people and processes are supported by the technology, rather than the technology dictating processes or ways of

working. Finally, they measure and capture the true value of their investments in technology into tangible business and customer outcomes.

To reset the balance in favour of business value, financial institutions must change how they view a technology transformation. They must dedicate 70% of their efforts to understanding business processes and outcomes, and the technology required needed to support them. The remaining 30% of their efforts should go toward putting the appropriate technology platforms in place. By viewing technology as an enabler rather than a provider, financial services firms can unleash the full power of their technology to delight customers and unlock greater value for the business.



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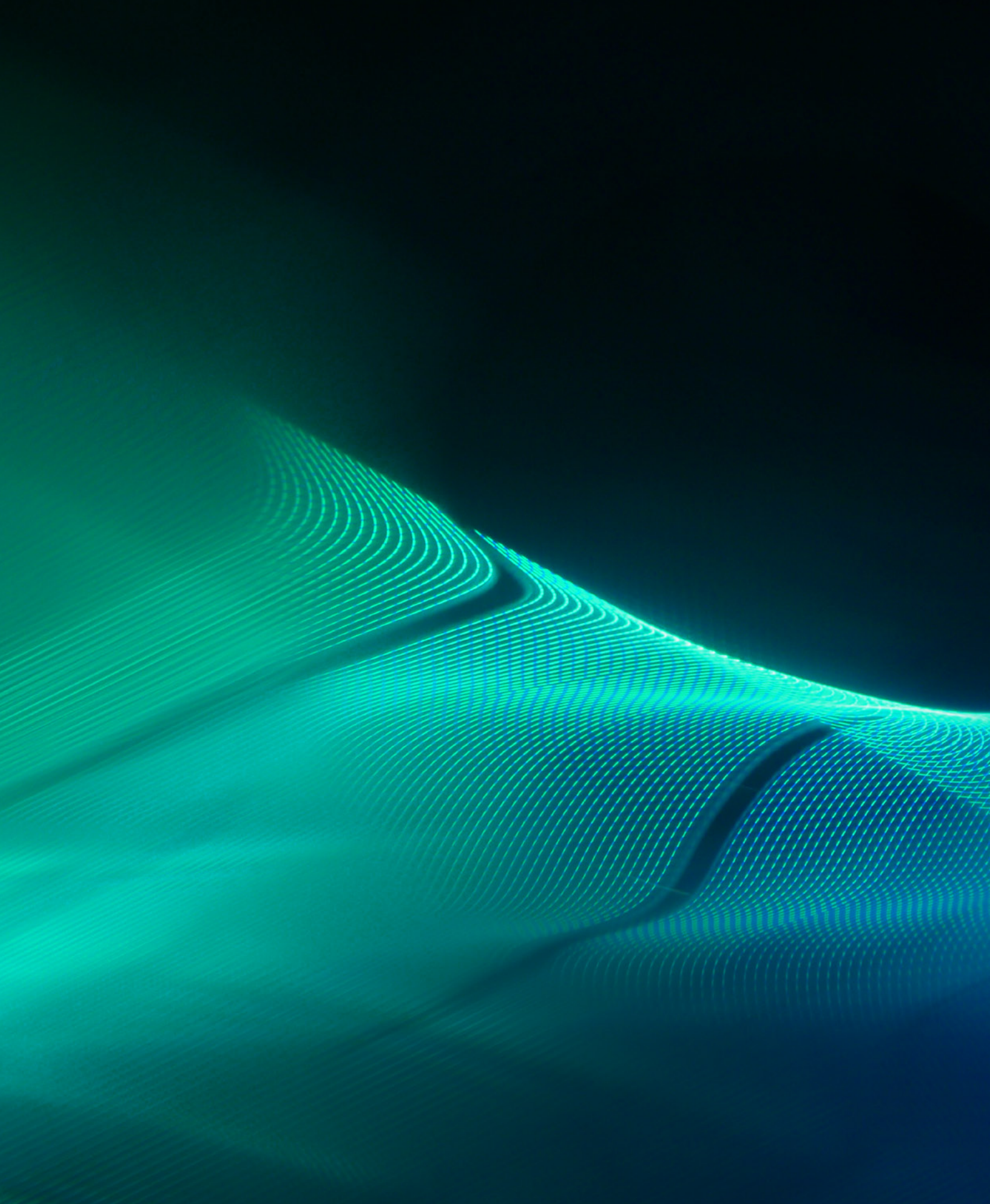
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