Outperform in an age of disruption

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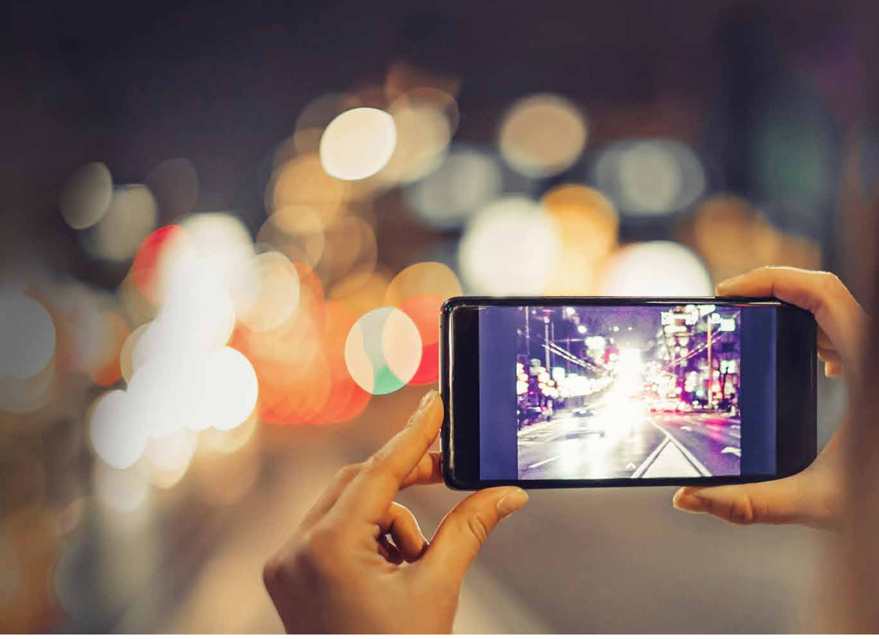

If you are a financial services executive, you are probably feeling fairly bullish about your company's growth prospects over the next few years. But you might also be a bit worried about the unknowns. If so, you are in good company.

According to a recent survey of more than 300 financial services CEOs conducted by KPMG International, most CEOs think their organization can outperform the market — where 68 percent said they were confident in the industry's growth prospects over the next 3 years, 81 percent said they were confident in their own company's growth prospects. Bullish, indeed.

Dig a little deeper, however, and it quickly becomes apparent that these CEOs are also deeply concerned that some unexpected event or disruption could undermine their company's growth. More than half say they are facing unprecedented political uncertainty. Other factors such as emerging technologies, operational risks and strategic risks are also on everyone's minds.

Truth be told, financial services executives should be worried. We are living in a particularly disruptive era. Nothing should be taken for granted. Technological change continues to pick up pace. Customer demands and expectations are shifting rapidly. Regulatory regimes and governance requirements are evolving and maturing. The environment we operate in today is dramatically different even when compared to just a decade ago.

Time for action

There is no use griping about the situation; the only useful thing CEOs can do today is act. And our conversations with CEOs suggests that the leading banks, insurers and investment managers are doing just that.

What are they doing, you might ask? To start, they are recognizing that maintaining the status quo is not enough to win in the current environment. And so they are thinking deeply about what they want their business to look like in the future. First, they must understand the disruption impacting their businesses, embrace it and figure out how to turn it into opportunities for growth, relevancy and brand extension. They are trying to understand how they remain relevant to their customers. They are eschewing tradition to find new models and new platforms for growth. And then they are taking concrete steps and actions to move their organizations forward.

For most, this means renewing their focus on operational excellence and creating new platforms for growth. Across the business, financial services organizations are automating process and then redeploying their talent towards higher-value opportunities. At the same time, they are also looking for other ways to improve operational flexibility and create a nimbler operating environment, often through new operating models and the adoption of new technologies. And they are focusing on attracting, developing and retaining the right talent — with the right capabilities and skills — to support the business of the future.

Recognizing that their ability to respond to disruption will require their organizations to become more innovative, many are starting to rethink what innovation actually means. Rather than simply creating incubators and investing into discrete projects, these organizations are starting to put their full organizational weight behind their innovation programs and fostering a truly entrepreneurial culture within their organizations. They are also investing into their brands and leveraging their technological prowess to differentiate themselves with their customers.

This has allowed some of the leaders to fundamentally rethink their portfolio of products and services, thinking deeply and differently about their value proposition and how they might remain relevant to customers. New partners are coming into view — particularly fintech startups that may offer new ideas and sharpen their relevance in the market. In some cases, this has led to a dramatic reshaping of the business portfolios and a re-examination of the relevancy of existing products, services and their presence in various markets and geographies.

The leaders are not making these decisions based on historic trends and gut feel. Instead, they are listening carefully to the voice of their customers and using all available data sources to understand what their customer are trying to tell them — getting the right insights to deliver on their customers' wants, needs, desires and trends. And, as a result, they are becoming increasingly better at customer segmentation and targeting.

How to win in 2020

Based on my experience and conversations with leading financial services executives, there are three things that organizations should be doing today if they hope to survive and thrive in the future.

First, they should be tackling disruption head-on. They should be thinking carefully about the changes that are taking place in their markets and working inside and outside of the organization to understand how these trends will impact their business. They should be using this information to decide what they want to be in the future and to find ways to turn disruption into opportunity.

Second, they should be focusing on innovation and finding every opportunity to embed innovation into their organization as a core competency. They should be building innovation into their culture, setting the tone at the top, creating the right mood in the middle and generating buzz at the bottom. They should stop thinking of innovation as a discrete initiative and start thinking about it as an organizational imperative.

Finally, they should be listening carefully to the voice of their customers, working with partners across the value chain to understand, interpret and act on their customers' wants, needs and desires. They should be continuously asking themselves how their decisions help them become more relevant to their customers in the future. And they should be challenging any decisions that do not support that goal.

Those financial services organizations that are able to do these three things will have good reason to be bullish about their growth prospects over the next 3 years. And they should absolutely be able to outperform the market. Those that do not take disruption seriously, however, could be left behind questioning their relevance in an evolving marketplace. For them, the next 3 years may be very difficult indeed.

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