



THE CAPCO INSTITUTE  
**JOURNAL**  
OF FINANCIAL TRANSFORMATION

**LEADERSHIP**

---

Five key steps to adopt modern  
delivery in your financial institution

POORNA BHIMAVARAPU | DAVID K. WILLIAMS

**NEW WORKING  
PARADIGMS**

---

**#52** JANUARY 2021

# THE CAPCO INSTITUTE

---

## JOURNAL OF FINANCIAL TRANSFORMATION

RECIPIENT OF THE APEX AWARD FOR PUBLICATION EXCELLENCE

### Editor

**Shahin Shojai**, Global Head, Capco Institute

### Advisory Board

**Michael Ethelston**, Partner, Capco

**Michael Pugliese**, Partner, Capco

**Bodo Schaefer**, Partner, Capco

### Editorial Board

**Franklin Allen**, Professor of Finance and Economics and Executive Director of the Brevan Howard Centre, Imperial College London and Professor Emeritus of Finance and Economics, the Wharton School, University of Pennsylvania

**Philippe d'Arvisenet**, Advisor and former Group Chief Economist, BNP Paribas

**Rudi Bogni**, former Chief Executive Officer, UBS Private Banking

**Bruno Bonati**, Former Chairman of the Non-Executive Board, Zuger Kantonalbank, and President, Landis & Gyr Foundation

**Dan Breznitz**, Munk Chair of Innovation Studies, University of Toronto

**Urs Birchler**, Professor Emeritus of Banking, University of Zurich

**Géry Daeninck**, former CEO, Robeco

**Jean Dermine**, Professor of Banking and Finance, INSEAD

**Douglas W. Diamond**, Merton H. Miller Distinguished Service Professor of Finance, University of Chicago

**Elroy Dimson**, Emeritus Professor of Finance, London Business School

**Nicholas Economides**, Professor of Economics, New York University

**Michael Enthoven**, Chairman, NL Financial Investments

**José Luis Escrivá**, President, The Independent Authority for Fiscal Responsibility (AIReF), Spain

**George Feiger**, Pro-Vice-Chancellor and Executive Dean, Aston Business School

**Gregorio de Felice**, Head of Research and Chief Economist, Intesa Sanpaolo

**Allen Ferrell**, Greenfield Professor of Securities Law, Harvard Law School

**Peter Gomber**, Full Professor, Chair of e-Finance, Goethe University Frankfurt

**Wilfried Hauck**, Managing Director, Statera Financial Management GmbH

**Pierre Hillion**, The de Picciotto Professor of Alternative Investments, INSEAD

**Andrei A. Kirilenko**, Reader in Finance, Cambridge Judge Business School, University of Cambridge

**Mitchel Lenson**, Former Group Chief Information Officer, Deutsche Bank

**David T. Llewellyn**, Professor Emeritus of Money and Banking, Loughborough University

**Donald A. Marchand**, Professor Emeritus of Strategy and Information Management, IMD

**Colin Mayer**, Peter Moores Professor of Management Studies, Oxford University

**Pierpaolo Montana**, Group Chief Risk Officer, Mediobanca

**John Taysom**, Visiting Professor of Computer Science, UCL

**D. Sykes Wilford**, W. Frank Hipp Distinguished Chair in Business, The Citadel

# CONTENTS

## LEADERSHIP

---

- 08 Digital leadership: Meeting the challenge of leading in a digitally transformed world**  
**Nelson Phillips**, Professor of Innovation and Strategy and Co-Director, Centre for Responsible Leadership, Imperial College Business School, Imperial College
- 16 Innovating for growth in an era of change**  
**Alex Sion**, Head of New Venture Incubation, Global Consumer Bank, Citi Ventures
- 24 Five key steps to adopt modern delivery in your financial institution**  
**Poorna Bhimavarapu**, Executive Director, Capco  
**David K. Williams**, Managing Principal, Capco
- 34 Leading in the digital age**  
**Claudia Peus**, SVP, Talentmanagement and Diversity, and Professor of Research and Science Management, Technical University of Munich  
**Alexandra Hauser**, Senior Expert Leadership and Organizational Development, Technical University of Munich
- 42 Designing a digital workplace: Introducing complementary smart work elements**  
**Tina Blegind Jensen**, Professor, Department of Digitalization, Copenhagen Business School  
**Mari-Klara Stein**, Associate Professor, Department of Digitalization, Copenhagen Business School

## WORKFORCE

---

### 56 **Team to market: An emerging approach for creating dream teams for the post-pandemic world**

**Feng Li**, Chair of Information Management and Head of Technology and Innovation Management, Business School (formerly Cass), City, University of London

**Clare Avery**, Business Development Manager, Business School (formerly Cass) and Head of Cass Consulting, City, University of London

### 68 **Engaging employees with organizational change**

**Julie Hodges**, Professor in Organizational Change and Associate Dean for MBA and DBA Programmes, Business School, Durham University

### 76 **Making collaboration tools work at work: Navigating four major implementation dilemmas**

**Nick Oostervink**, Former Researcher, KIN Center for Digital Innovation, School of Business and Economics, Vrije Universiteit Amsterdam

**Bart van den Hooff**, Professor of Organizational Communication and Information Systems, KIN Center for Digital Innovation, School of Business and Economics, Vrije Universiteit Amsterdam

### 86 **How to successfully work in the redefined world of work: Time-spatial job crafting as a means to be productive, engaged and innovative**

**Christina Wessels**, Formerly, Rotterdam School of Management, Erasmus University

**Michaéla C. Schippers**, Professor of Behaviour and Performance Management, Rotterdam School of Management, Erasmus University

## ORGANIZATION

---

### 94 **Can businesses recover from the crisis? Assessing scenarios, riding trends**

**Leslie Willcocks**, Professor of Work, Technology and Globalisation, London School of Economics and Political Science

### 102 **Value streams – a future-proof way to organize your firm**

**Robert Ord**, Managing Principal, Capco

**Alla Gancz**, Partner, Capco

**Daniella Chrysochou**, Senior Consultant, Capco

**Ana Nikolova**, Senior Consultant, Capco

**Raymond Tagoe**, Senior Consultant, Capco

### 112 **Managing strategic and cultural change in organizations**

**Jaap Boonstra**, Professor of Organization Dynamics, Esade Business School

### 122 **The Innovation Stack: How to make innovation programs deliver more than coffee cups**

**Steve Blank**, Adjunct Professor of Entrepreneurship, Stanford University

### 128 **The risks of artificial intelligence used for decision making in financial services**

**Udo Milkau**, Digital Counsellor, European Association of Co-operative Banks (EACB)

### 142 **Security token offering – new way of financing in the digital era**

**Seen-Meng Chew**, Associate Professor of Practice in Finance, and Assistant Dean for External Engagement, CUHK Business School

**Florian Spiegl**, Co-founder and COO, FinFabrik

### 152 **Eternal coins? Control and regulation of alternative digital currencies**

**Matthew Leitch**, Associate, Z/Yen Group

**Michael Mainelli**, Executive Chairman, Z/Yen Group



**DEAR READER,**

Welcome to edition 52 of the Capco Institute Journal of Financial Transformation.

Transformation has been a constant theme in our industry for several decades, but the events of 2020 have accelerated change in employee working patterns, and in the very nature of the workplace itself. This Journal examines three key elements of these new working paradigms – leadership, workforce, and organization.

As we explore in this edition, a key part of any firm's transformation agenda centers around digital leadership and how to tackle the novel challenges created by changes within organizations and society. Leaders need advanced organizational skills to build teams that use digital technologies, as well as to inspire millennial workers who have grown up in a digitally transformed world. They also need deeper technology skills to lead, and a broader understanding of the ethical paradigms introduced by the challenges created through new technologies such as AI. These enhanced skillsets will help today's leaders and their teams fully realize the benefits of new working models.

The topics reviewed in this Journal offer flexibility for employees, increased agility for teams, and a combination of both for organizations. When supported by the right technology, these can create collaborative, outcome-driven environments. Through the resulting remote or hybrid models, organizations can transform their workforce and operations to boost productivity, cost effectiveness and employee engagement, while enhancing resilience and customer experiences.

As always, our contributors to this Capco Journal are distinguished, world-class thinkers. I am confident that you will find the quality of thinking in this latest edition to be a valuable source of information and strategic insight.

Thank you to all our contributors and thank you for reading.

A handwritten signature in black ink, appearing to read 'Lance Levy', with a stylized, flowing script.

Lance Levy, **Capco CEO**

# FIVE KEY STEPS TO ADOPT MODERN DELIVERY IN YOUR FINANCIAL INSTITUTION

---

**POORNA BHIMAVARAPU** | Executive Director, Capco

**DAVID K. WILLIAMS** | Managing Principal, Capco

## ABSTRACT

In this paper, we bring attention to the rapid shift taking place in the marketplace, with consumers, employees, and technology impacting the way financial institutions need to organize themselves and deliver their services and features by adopting modern delivery approach. We discuss the key drivers behind this shift, the core pillars of modern delivery approach, and the challenges in adopting them, and offer proven steps to successfully adopt modern delivery.

## 1. INTRODUCTION – A HOLISTIC VIEW OF MODERN DELIVERY

Throughout history, new technologies have reshaped the economy – from the Industrial Revolution to modern conveniences like navigation systems, on-demand streaming videos, and Amazon’s Alexa. Businesses either learned to adapt to radical change, or they did not survive.

We are experiencing a similar transition now. The big difference is that the pace of change is exponential. The internet, smartphones, artificial intelligence, and robotics have created (and destroyed) entire industries over the last two decades. Most likely, more of the same is to come in today’s winner-takes-all environment. This is why financial institutions, even those that are comfortable with some elements of their traditional waterfall approach to delivery, need to push beyond their firm’s comfort zone to be nimble and embrace a transformative approach called modern delivery.

Adopting modern technologies, tool sets, and agile approaches to delivery is an integral part of modern delivery. At the same time, modern delivery is far more than technology or a process; it is a state of mind, a way of doing things. It is a belief system that affects the entire organization from human resources and information technology to finance and operations. In short, it is a change in culture that is supported by modern technologies and agile approaches. A modern delivery culture embodies a belief that by being more customer-focused, collaborative, adaptive, flexible, transparent, and open, an entire organization can significantly increase the pace of delivery while also creating more positive outcomes for customers and employees.

This holistic view of modern delivery offers financial institutions the opportunity to think more broadly about how modern delivery can affect any “product”<sup>1</sup> that they are building. It is not just about delivering technology, it is about leveraging technology to deliver digital products suited for the modern day, meeting expectations of modern customers and employees.

---

<sup>1</sup> Throughout this paper, we use the term “product” to broadly represent a digital product; a product is a holistic end-to-end feature offering of a technical capability, such as a digital banking app on a mobile phone, a payment solution, etc.

## 2. MARKET FORCES DRIVING CHANGE TOWARD MODERN DELIVERY

Three significant market forces are changing the way financial institutions must operate: the accelerated pace of change, shifting customer expectations, and newcomers to the workforce.

### 2.1 The accelerated pace of change

Advancements in technological innovations, like artificial intelligence and cloud computing, are accelerating the pace of change and simultaneously making it easier to adopt new technologies. Pace of change has been slower in some segments of consumer markets and industries, but the COVID pandemic has completely changed that dynamic. By some measures, change that would have taken ten or more years has been adopted within six months because of COVID-19.

As individual consumers, we can embrace new technology at our own pace. As business and technology leaders of financial institutions, we are not afforded the same luxury. Financial institutions must quickly adopt a culture of extreme agility to stay ahead of the market. Those institutions ahead of the curve will capture the majority of the market share while those behind the curve will struggle to survive. Customers, employees, and the competition drive tech adoption – often faster than our plans can absorb. Changing processes, plans, and practices at scale is time-consuming, risky, and may lead to short-term losses before generating long-term gains.

### 2.2 Customer expectations have hit an all-time high

Financial institutions will not be able to keep pace in the long term and meet their customers' increasing expectations if they continue to rely on traditional processes, approaches, and methodologies. Retailers and technology innovators like Amazon, Apple, Google, Netflix, and Uber have raised the customer experience bar high. Modern customers have high expectations and demand the same level of speed and ease of use, proactive service, personalized interactions, and connected experiences across the channels that they receive services from online retailers, fintechs, and other new competitors eager to serve them.

Research shows that understanding customers' needs – and exceeding their expectations – are becoming table stakes for businesses to compete. According to the “State of the

“

*Modern delivery is far more than technology or a process; it is a state of mind, a way of doing things.*

”

connected customer” research report from Salesforce,<sup>2</sup> 76 percent of consumers expect companies to understand their needs and expectations.

66 percent of customers also report that it is easier than ever to take their business elsewhere – switching from brand to brand to find the experience that matches their expectations. As disruptive companies leverage breakthroughs in cloud, mobile, social, and artificial intelligence technologies to deliver personalized, valuable, and immediate experiences, customers have more choices than ever.

### 2.3 Digital-first products

The barrier to create a new financial institution has been drastically reduced with the emergence of digital first products. A holistic end-to-end customer experience can be provided through a web browser or through an app on a smart phone. In banking, companies like Chime, Ally, and Varo are leading the way with top notch customer experience, reduced fees, and even higher interest rates. In wealth management, Robinhood has been a clear leader with over 13 million users.

The push towards a complete digital experience has not only been reserved for younger companies that were conceived as digital first products, but it has impacted larger financial institutions and brick-and-mortar institutions as well. In fact, Capital One no longer offers a traditional bank account for new users. Their digital first product, Capital One 360, is their main checking and savings account offering.

The need and want for products that were designed for the digital age are amplified by late Millennials and Gen Z. From a very young age, Gen Zs have had smartphones or tablets in their hands and quickly learned how to use these digital

<sup>2</sup> <https://sforce.co/3hgC3jx>



devices. They consume digital content, and are quick to grasp concepts and to move on. The pace of their brain has moved in lockstep with the immediacy of their access to information and instant gratification.

This generation is reshaping the fundamental design of what a product is, as well as how those products are delivered and reflected in the workplace. This generation appreciates quick iterations, varied experiences, and a focus on their passion projects. They prefer roles and assignments that do not require lengthy commitments so that they can learn from the experience and incorporate those lessons into future projects. They get frustrated with traditional, ingrained thought processes and want to focus on what is next. They aspire to take the agile methodology out of job-specific applications and apply it to their careers at large.

Future-looking financial institutions must be willing to break the mold to accommodate and embrace this new generation to deliver digital first products. Moving to a modern delivery mindset and model using innovative technology tool sets is necessary to attract and retain the right kind of talent.

## 2.4 The way forward

This paper provides five tactics financial leaders can use to face the rising tide of change and give their businesses the opportunity to survive for long-term success by adopting a modern delivery culture.

## 3. SIX CORE PILLARS OF MODERN DELIVERY

The six core pillars of modern delivery are: coaching and adoption, agile enterprise IT architecture, business-managed IT, workforce modernization, delivery process modernization, and tool chain modernization. Each will be described below.

### 3.1 Coaching and adoption

Culture is at the core of modern delivery. It is a culture of servant leadership, self-organization, and a fail fast and fail forward philosophy. The culture of modern delivery needs to be inculcated, promoted, and nurtured over time. Coaching creates a foundation for a successful and sustainable transformation away from the traditional mindset, values, and behavior within an institution to adopt a modern delivery culture.

### 3.2 Agile enterprise IT architecture

Traditionally, enterprise architecture has been viewed as an ivory tower exercise detached from ground realities and taking years to adopt changes. Such an approach to enterprise architecture is not relevant anymore in today's fast-paced world, where both the technologies available, as well as consumer needs, are changing rapidly. At the same time, leaving IT architecture to individual product teams will undoubtedly lead to unwieldy and costly to maintain solutions that will be misaligned with overall business goals of the organization.

Modern day enterprise architecture needs to be evolutionary, flexible, iterative, collaborative, lightweight, and foster innovation. It is based on defining a set of foundational guiding principles at both enterprise and domain level, while leaving realization to collaboration with individual product teams on an ongoing basis. Just enough work is done upfront to create an "architectural runway" to realize near term feature needs while minimizing excessive redesign and delay.

It is estimated that 80 percent of digital businesses will take a collaborative approach to enterprise architecture, involving participants across business, IT, and beyond, by 2022.<sup>3</sup>

Leading enterprises have evolved away from monolithic legacy systems and towards service-oriented architectures (SOA), and have opened up new value chains through microservices and APIs, allowing internal and external consumers to leverage their data.

Adopting an "agile enterprise IT architecture" vision enables cloud deployment, microservices, APIs, DevOps, data analytics, and test automation. Modern delivery principles emphasize a balance between unlocking the power of data as an asset to the business and ensuring agile development with guardrails.

### 3.3 Business-managed IT

Traditionally, IT has been seen by the business as a cost center that pushes to deliver its own agenda. As organizations are compelled to create products that are more aligned with their business needs, business has grabbed a seat at the table when it comes to IT delivery. According to the Harvey Nash/KPMG CIO Survey, 64 percent of organizations allow some

<sup>3</sup> Costello, K., "The evolution of enterprise architecture," 2019, Gartner, January 11, <https://gtmr.it/32ewwvpk>

sort of business-managed IT while only 10 percent actively encourage it.<sup>4</sup> As products are becoming more holistic and encompassing of the full customer journey in the digital age, business has become more prescriptive of what they actually want from their digital offerings and technology, making the collaboration between IT and business teams more important than ever. Business-managed IT provides a path for organizations to offer customers a more complete and relevant product.

Business-managed IT provides increased agility during digital transformations through fast feedback cycles that allow business owners to shape products in line with customer needs.

### 3.4 Workforce modernization

Workforce modernization has two components: sourcing talent with proficiency in modern delivery and digital transformation, as well as retooling and preparing existing human capital with the necessary skills.

It is critical for the entire human resources (HR) organization, inclusive of recruitment, learning and development, performance measurement, and change management, to be the epicentre of workforce modernization and transformation of the employee experience. The employee experience journey consists of every interaction an employee has, from the first contact with recruiting through to hiring, onboarding, deployment, performance management, and to the last interaction as an alumnus.

Modern delivery requires a significant change in people's current roles to agile roles, and for the organization to develop cross-functional teams. The learning and development function within financial institutions is essential to facilitate and nurture an environment that supports continuous learning opportunities, combining fieldwork, classroom digital learning, social learning, on-the-job coaching and mentoring, and short workshops.

While an organization can provide all the necessary training opportunities, the mindset of employees needs to fundamentally change for them to be successful in a modern delivery organization.

### 3.5 Delivery process modernization

Using the agile methodology enables financial institutions to modernize their delivery frameworks to reduce waste, improve speed to market, boost quality, and embrace dynamic business requirements. Agile principles promote collaborative and outcome-based work environments, which develop rapid results without compromising on quality or management visibility and business value metrics.

Designing products for the digital age requires a different kind of thinking. A customer wants to feel like their end-to-end journey is complete, comprehensive, and seamless. Design thinking allows for this to be possible. Designers and user experience (UX) experts work alongside the business and IT teams in an agile development environment to build, test, and

Figure 1: Modern delivery

MODERN DELIVERY IS A DISCIPLINE WE CAN TEACH TO BUILD CAPABILITY, BUT FUNDAMENTALLY IT IS ABOUT INSTILLING A MINDSET SHIFT

The rush to be ever more customer centric has left financial services firms facing two challenges: how to **react to the market with speed**, and how to **organize around outcomes**, not process.

We believe **enterprise agility** enables better outcomes, further and faster. To us, modern delivery is training a workforce to **deliver fast**, but it is also a **state of being that fundamentally shifts our mindset**.



**MODERN DELIVERY IS PEOPLE ORIENTED**

- Daily interactions between business and technology
- Emphasis on face-to-face communication
- Support, trust, and motivation



**MODERN DELIVERY IS ITERATIVE**

- Continuous feedback and planning provides value over multiple iterations
- Reduced risks through testing at each iteration
- Benefits are incremental with a faster return on investment



**MODERN DELIVERY IS ADAPTIVE**

- Harnesses changing requirements and varying scope
- Aligns to new customer outcomes, fast
- Analysis, design, coding, and testing are continuous activities

<sup>4</sup> <https://bit.ly/3madecE>

experiment in an iterative loop, revising from one prototype to the next to learn what will work; all while maintaining a continuous focus on the user of the process or product.

### 3.6 Tool chain modernization

A modern toolchain that promotes automation and efficiency across the delivery process is absolutely essential in modern delivery. The key to modernizing the toolchain is simple: automate everything that can be automated and think cloud first.

Testing is no longer a manual exercise that requires cumbersome and costly effort but is fully automated through modern testing frameworks. Physical servers have become archaic and even virtual servers are making their way out as they are replaced with containerized or serverless environments. Deployments are not as taxing. Automated deployment tools have replaced the need to manually deploy code to test or production environments, reducing the overhead to productionize an application and make it easier to make changes to applications. Cloud computing allows for scalability not only in terms of size of servers that are needed or how many that are needed but it also allows organizations to offer services across borders without the burden of having to standup infrastructure in other regions or countries.

## 4. MODERN DELIVERY OPPORTUNITIES AWAIT

For financial institutions that transition from a traditional waterfall methodology to a modern delivery approach, the business benefits and opportunities are plentiful across the spectrum of transformation work to deliver digitally native products or improve business operations technology.

Retooling and redesigning an entire business model, inclusive of people and technology, is a commitment, but one that pays dividends. Take BBVA,<sup>5</sup> Spain's second-largest bank, as an example. BBVA made a commitment to a modernization change. It started from the top in 2015, when Honorary Chairman of BBVA Foundation, Francisco Gonzalez, declared the bank's transition to digital, "BBVA will be a software company in the future." BBVA accelerated its digital transformation process with the launch of BBVA Next Technologies.

A scalable and modular customer-centric platform was one of the first priorities and technology investments for BBVA. It operates in real-time to provide mobile customers with the service they demand, such as BBVA Wallet, a mobile payments app that makes the bank competitive against new startups and digital companies.

This rapid-fire ideation and prototyping process, similar to the approach taken by financial technology startups, makes the company agile, more productive, and able to deliver innovation on a timetable similar to digital giants. Gonzalez believes BBVA's most prominent competitors will eventually be tech platform providers like Google and Amazon, so he is focused on proactively transforming his bank well before they enter the industry. BBVA's knowledge of its customers and what they want should be vital in helping the company remain competitive even if tech titans decide to step into banking.

### 4.1 Modern delivery is faster

Rather than going from functional requirements through development, build, and test cycles, modern delivery and agile techniques emphasize delivering a small piece of functionality and business value early, and then continuously improving and adding more functionality throughout the product's development. With incremental delivery and iterative feedback loops, cross-functional teams yield shorter wait times, help avoid slack, and reduce customer friction by focusing on delivering customer value.

### 4.2 Modern delivery is cheaper

By incorporating design thinking, user research, and a constant focus on the customer, modern delivery reduces waste by prioritizing the essential features customers want and eliminating unnecessary work to build less significant features that may eventually become obsolete because of rapidly changing technological innovations – embodying the well-known 80-20 rule in software development. According to research by Pendo, approximately 80 percent of features in the typical cloud software product are rarely or never used,<sup>6</sup> amounting to U.S.\$29.5 billion in waste.

<sup>5</sup> Semple, C., and L. F. Espinosa, 2017, "BBVA launches its open banking business," November 16, <https://bbva.info/3ih1Klv>

<sup>6</sup> Baverman, L., 2019, "Pendo data suggests \$29.5 billion in global cloud R&D investment squandered when software features go unused," Pendo, February 5, <https://bit.ly/3ifCGvf>

### 4.3 Modern delivery is better

Modern delivery enables financial institutions to scale and pivot based on customer needs. With the continuous improvement of the product based on constant customer feedback and faster deployments with automated testing, a higher quality product is delivered to customers every time, resulting in higher customer satisfaction. This also translates into high employee satisfaction.

### 4.4 Modern delivery is hard

Modern delivery requires a change in mindset of the entire organization all the way from C-suite executives to on the ground execution teams and, at the same time, from client facing business teams to IT teams delivering business capabilities. Such a change in culture is hard and take a lot of commitment from everybody in the organization to succeed. At the same time, there is a massive reskilling of workforce and IT investments needed to adopt to the way of modern delivery.

## 5. SUCCEEDING WITH MODERN DELIVERY: FIVE STEPS TO HELP YOU ON YOUR WAY

As financial institutions confront the accelerated pace of change, high customer expectations, and demands of a new workforce, five best practices can help ensure the successful adoption of modern delivery.

### 5.1 Invest in changing the culture first

A shift to modern delivery is an enormous cultural change for the entire financial organization. In order to benefit from a modern delivery culture and approach, the whole organization must transform, and the new assumptions must be taught to all members of the organization as the correct way to perceive, think, and feel about those problems. Starting at the top, each financial services firm will need to define its organization's modern delivery values and purpose and develop a change management program focused on embedding modern delivery culture in every corner of the company.

Management needs to be fully supportive of transitioning to a modern delivery model, hence the first step is to gain executive management buy-in from the board and CEO.

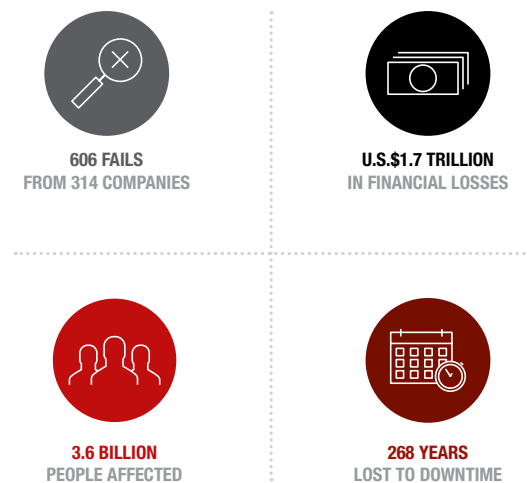
### 5.1.1 ORGANIZATIONAL CULTURE AND RESISTANCE TO CHANGE ARE BARRIERS TO AGILE ADOPTION

Change is never easy. Most financial services firm have large organizations within IT and project management groups supporting their renovation portfolios. These functions compete and overlap, and are often built around waterfall and legacy development and change delivery techniques. To get organizational buy-in and truly adopt modern delivery, financial institutions must take a hard look at all those internal organizations, understand their relevance and purpose, and engage them in change.

### 5.1.2 Management needs training first

The transformation to modern delivery needs to start by changing the culture of the management team. The modern delivery culture change will become embedded in the financial institution when the senior leaders of the company are modeling the agile values, mindset, and behavior for the rest of the institution. Operating in an agile mindset from the top enables the same behavior throughout the product teams, allowing for resources to prioritize organizational goals over

Figure 2: Cost of software fails in 2017



personal goals. Leadership and delivery teams should focus on building a long-term relationship built on trust; this provides ownership and decision making power to delivery teams.

## 5.2 “Shift left” to focus on quality of transformative projects, as well as products

Financial institutions have traditionally taken a tactical approach to testing – using software developers or testers to detect defects at the end of the software development process. However, this approach is fundamentally flawed, and results in errors that cost the U.S. economy an estimated U.S.\$1.7 trillion.<sup>7</sup>

The term “shift left” refers to a practice in software development in which teams focus on quality and work on problem prevention instead of detection and begin testing early and often. The goal is to increase quality, shorten test cycles, and reduce the possibility of unpleasant surprises at the end of the development cycle; or even worse, in production.

By shifting integration testing to the left of its usual position in the delivery pipeline, it occurs as close as possible to the build process. In modern delivery, specifications are in constant flux as the team learns about customer needs, hence it is critical to shift the mindset of the team to testing early and throughout the process, not at the end. By using agile development processes and proactively testing early and continuously, delivery teams can isolate the most disruptive, significant defects sooner for faster remediation and discovery of issues related to performance, security, data corruption, or fraud. This smarter approach to continuous testing results in quality at speed. The quality management element of modern delivery should become an engineering practice. With processes in place for concurrent testing and development, quality and speed can be achieved together.

## 5.3 Embrace speed, change, and failure

Fail fast is an agile philosophy that values early feedback and incremental development to determine whether an idea has value. An important goal of this “fail fast, succeed faster” philosophy is to cut losses when testing reveals that something

is not working. Failing fast seeks to take the stigma out of the word “failure” by emphasizing that the knowledge gained from a failed attempt increases the probability of eventual success.

Take, riding a bike as an example. When you first learn how to ride a bike, you are told to move fast and you will not fall. Similarly, succeeding in current fast paced world requires moving fast to gain a certain amount of momentum to achieve a flywheel effect. To keep pace with the market and develop customer-centric products and services at a rapid rate support, you have to move fast, or you will fail.

Conducting retrospectives and taking them seriously is a sure-fire way for management to get comfortable embracing failure and trusting their teams to do their jobs. When done well, these agile meetings can highlight opportunities for change, generate meaningful process improvements, and ultimately move the team in the right direction.

Retrospectives can be used for any team working on a shared project, but the sprint retrospective is especially optimized for an agile production team. The retrospective should create a safe, blameless space for team members to share their honest feedback on what went well and what could be improved for next time. Since there are a lot of moving pieces and people involved, along with the pressure to deliver new features every one or two weeks, miscommunication is bound to arise during the agile process. That is why it is crucial to have open communication and be transparent during these meetings. Miscommunication breeds a lack of trust – and that will kill any team project.

These are a few of the many benefits of retrospectives:

- It provides a platform for the team’s opinions to be heard and influence change.
- It enables the team to put a support structure in place to be able to recover quickly from missteps.
- It helps to differentiate various functions of the business on a risk gradient and push for higher risk-taking where allowed.
- It demands trust from everyone in the organization.

<sup>7</sup> <https://bit.ly/2Ran1S3>; <https://bit.ly/2F94B1E>

#### 5.4 Fund teams over projects

Financial organizations have relied on traditional project funding and project management methods for decades: an annual planning cycle to select the better opportunities based on a business case and a plan with a fixed scope, schedule and cost, a dedicated project team to execute the plan, and an oversight function like program management office to monitor variance from the plan. These methods are often perceived as complex and bureaucratic, but they have been effective for traditional initiatives.

When moving to modern delivery and agile, many financial institutions typically form teams and yet keep their traditional waterfall project-based funding structure in place because that is the way they have always done it. This conventional approach is easily understood from an operational standpoint as it shows a defined start and end date that is tightly aligned with the cost of the project, and it shows the cost of the work that is on deck to be delivered.

These project-based methods do not work for agile initiatives, since agile practitioners begin with different assumptions. They see that customer needs change frequently and that breakthrough insights can occur at any time. From a modern delivery vantage point, annual cycles constrain innovation and adaptation. Unproductive projects burn resources until their budgets run out, while critical innovations wait in line for the next budget cycle to compete for funding.

Instead, agile organizations adopt a different method for budgeting, called product-funding or capacity team-funding. This method distributes available funding across self-organizing teams. The major shift is moving from the traditional approach of taking people to projects and programs to the modern way of taking the right kind of projects and products to the teams who are well equipped to develop them.

The project management office no longer plans the work for others, nor do they track the cost of the work at the project level. Expenses are fixed, and work that takes longer than expected does not change the budget. Self-organizing teams that operate at peak capacity use a prioritization framework to evaluate and slot new ideas and projects into the pipeline and prioritize them without escalation to management. The

“*Modern delivery culture change will become embedded in the financial institution when the senior leaders of the company are modeling the agile values, mindset, and behavior for the rest of the institution.*”

key concept is to have a fixed capacity of product teams and variable capacity within reason to quickly support unexpected issues, such as new user feedback on product features and regulatory requirements.

Changing from a traditional framework to a modern delivery model means that funding and planning functions must change to align with a new mindset and paradigm. This new way of funding people over projects must be instilled in the DNA of the business. The financial services firm will incur initial costs to scale throughout the program; however, it is the cost of doing business. Businesses that fail to adopt this approach will be left behind.

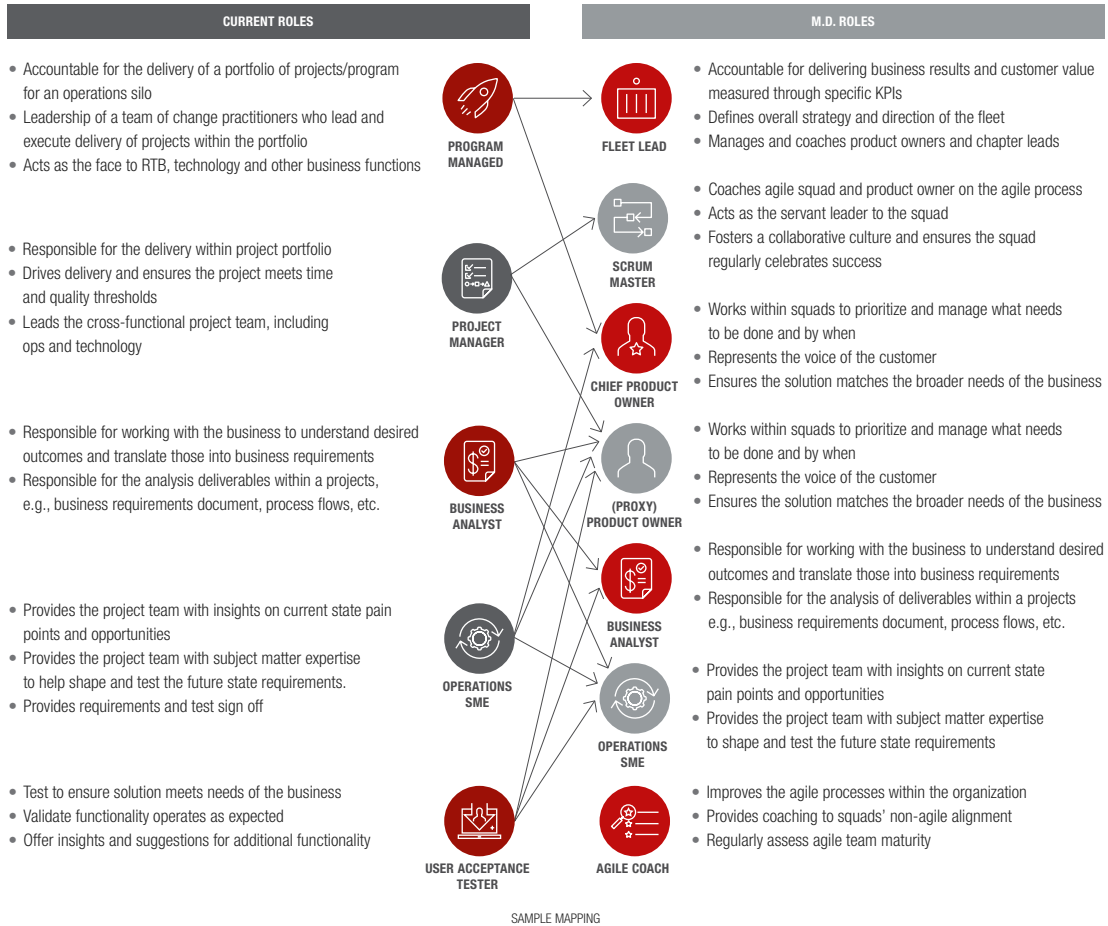
#### 5.5 Invest to develop cross-functional teams

One of the critical success factors for a firm's modern delivery transformation is the migration of current roles into agile roles. A common concern for financial institutions is figuring out what to do with all of the people who are still going to have jobs and who are still on the team. Of course, this is a profound challenge. Roles must change, often through “battlefield promotions”, where high performing project managers, for example, may be suddenly put in the role of scrum master, or individuals that have never written code may be asked to function as developers.

These battlefield promotions and lack of training – both at the executor level and at the execution level – lead to fear, uncertainty, and doubt. To succeed, it is paramount for senior

Figure 3: Evolution of roles

ONE OF THE CRITICAL SUCCESS FACTORS FOR A FIRM'S MODERN DELIVERY TRANSFORMATION IS THE MIGRATION OF CURRENT ROLES INTO AGILE ROLES



management and employees alike to be trained in their new modern delivery roles.

The investment in an agile coach is key to building and developing cross-functional teams within an organization. An agile coach is someone who is experienced in implementing agile projects and can share that experience with a project team. The most important responsibilities of an agile coach include:

- Encouraging adoption of the agile culture and mindset from the top-down and bottom-up.
- Modeling agile values, mindset, and behavior to promote cultural change.

- Teaching and sharing insights on agile best practices.
- Helping the workforce transition to an agile way of working successfully.
- Promoting an agile culture across multiple product teams and coaching them to become self-promoters of the agile culture.

With this organizational change, financial institutions require structural changes to focus more on the team for agile development to be successful. New modern delivery teams consist of business, technology, design, and user experience (UX) functions that engage in daily face-to-face interactions.

These teams are supported by business function owners and business operations teams to enable the execution of delivery, sometimes embedding these business subject matter experts or their representatives in the delivery teams themselves.

Figure 3 is a visual that explains how traditional roles need to evolve to modern delivery roles.

## 6. CONCLUSION

Now is a prime time to commit to a profound and powerful transformation that has a limited window before your competitors – traditional financial organizations, new entrants, fintechs, and technology giants – leapfrog into the winning position.

Investing in a modern delivery culture offers financial services firms an immense opportunity to get and stay ahead of the curve to survive in today's rapidly changing and competitive

landscape. This new mindset and way of working allows financial institutions to modernize their workforce to embrace Gen Z while meeting modern customers' ever-increasing expectations. By adopting a more customer-focused, collaborative, adaptive, flexible, transparent, and open agile culture, financial services firms will be able to provide more positive futures for customers and employees like never before.

The alternative scenario of financial services firms attempting to maintain their traditional waterfall approaches on aging technologies in this dynamic environment is less appealing and less profitable, by the day. Leaders of the past who do not change will struggle to survive. New leaders will be on the upswing. Which side will you be on?



© 2021 The Capital Markets Company (UK) Limited. All rights reserved.

This document was produced for information purposes only and is for the exclusive use of the recipient.

This publication has been prepared for general guidance purposes, and is indicative and subject to change. It does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (whether express or implied) is given as to the accuracy or completeness of the information contained in this publication and The Capital Markets Company BVBA and its affiliated companies globally (collectively "Capco") does not, to the extent permissible by law, assume any liability or duty of care for any consequences of the acts or omissions of those relying on information contained in this publication, or for any decision taken based upon it.

## ABOUT CAPCO

Capco is a global technology and management consultancy dedicated to the financial services industry. Our professionals combine innovative thinking with unrivalled industry knowledge to offer our clients consulting expertise, complex technology and package integration, transformation delivery, and managed services, to move their organizations forward.

Through our collaborative and efficient approach, we help our clients successfully innovate, increase revenue, manage risk and regulatory change, reduce costs, and enhance controls. We specialize primarily in banking, capital markets, wealth and asset management and insurance. We also have an energy consulting practice in the US. We serve our clients from offices in leading financial centers across the Americas, Europe, and Asia Pacific.

## WORLDWIDE OFFICES

### APAC

Bangalore  
Bangkok  
Gurgaon  
Hong Kong  
Kuala Lumpur  
Mumbai  
Pune  
Singapore

### EUROPE

Berlin  
Bratislava  
Brussels  
Dusseldorf  
Edinburgh  
Frankfurt  
Geneva  
London  
Munich  
Paris  
Vienna  
Warsaw  
Zurich

### NORTH AMERICA

Charlotte  
Chicago  
Dallas  
Hartford  
Houston  
New York  
Orlando  
Toronto  
Tysons Corner  
Washington, DC

### SOUTH AMERICA

São Paulo



[WWW.CAPCO.COM](http://WWW.CAPCO.COM)



# CAPCO