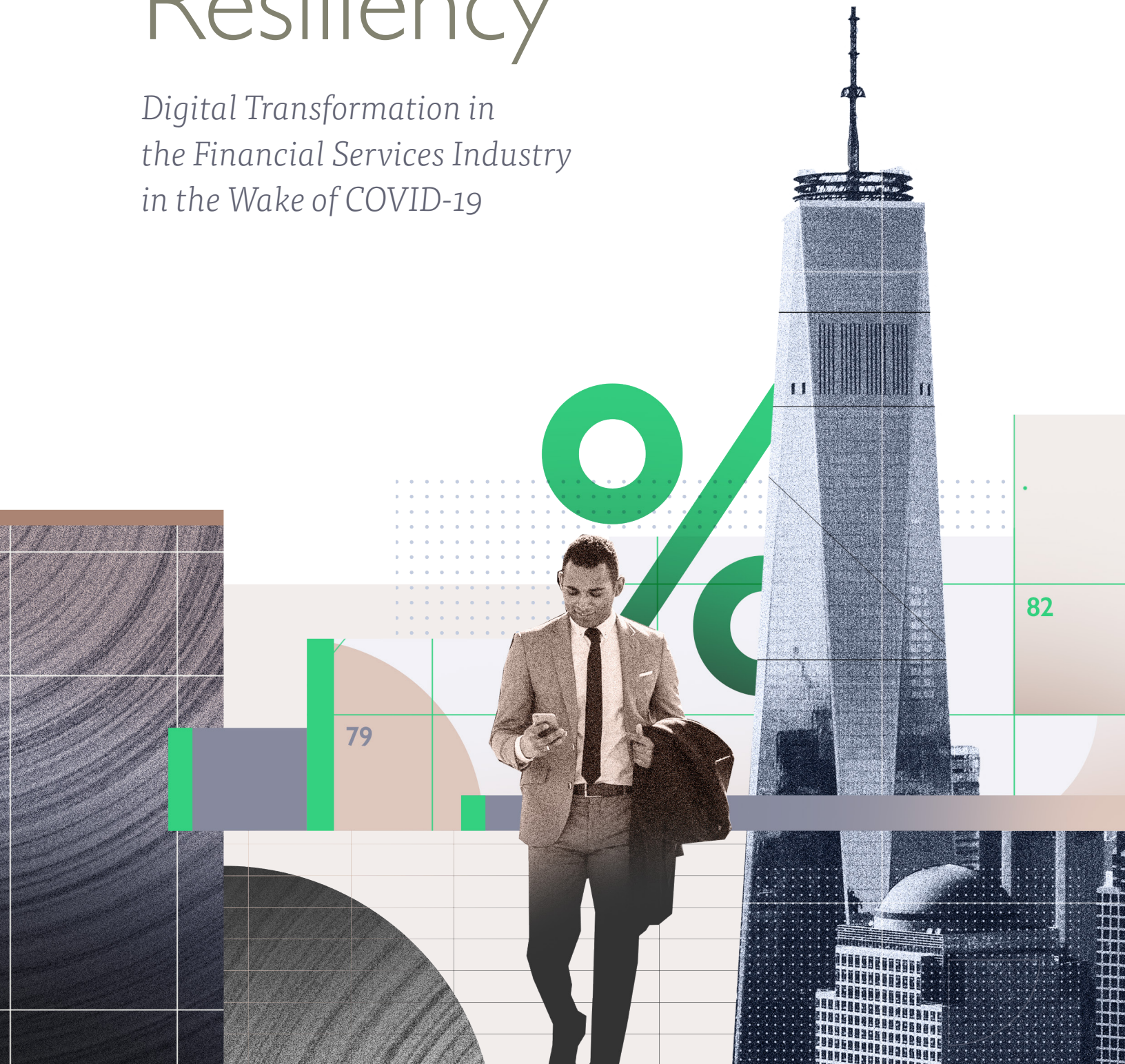


Organizational Resiliency

*Digital Transformation in
the Financial Services Industry
in the Wake of COVID-19*



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by Jim Collins

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Edited by Rosa Trieu

Business leaders typically pride themselves on their ability to pivot in times of crisis and economic turmoil. But no leadership team in the world could have prepared for the health, financial, and operational turmoil resulting from the coronavirus pandemic.

PRIOR TO 2020, “DIGITAL TRANSFORMATION” IN FINANCIAL SERVICES PRIMARILY EQUATED TO THE GLACIAL PACE AT WHICH BANKS WERE rallying organizations to adopt new technologies in order to create better customer experiences and operational efficiencies. But COVID-19 brought a whole new meaning to ‘digital transformation’. The pandemic created a sense of urgency that business leaders have never experienced in their careers. Organizations were forced to either go into survival mode or pivot if they wanted to deliver real and sustainable financial results.

Across all sectors and for many organizations, entering survival mode meant slashing costs – beginning with commercial real estate. The global pandemic created a virtual workforce, and major adjustments such as compensation reductions were needed to stay afloat. With these major changes, organizations had the choice of either diverging from any digital transformation efforts or turning the crisis into an opportunity.

As a result, some financial organizations became acquisition targets in 2020. Mergers and acquisitions are anticipated to accelerate. The organizations that will be most impacted are those that cannot change how they operate or interact with

their customer base. We saw the beginning of this at the end of 2020. In October, First Citizens BancShares acquired CIT Group. In November, PNC Financial Services Group acquired the U.S. Operations of the Spanish lender BBVA. And most recently, Huntington Bancshares acquired TCF Financial.

On the flip side, some organizations truly understood the meaning of the term “transformation” and have thrived in the recent environment. After the initial shock of the global pandemic wore off, they saw there was no time to waste. Leading through change, they fundamentally altered their business models in a way that would deliver a brand new customer experience. This included creating a virtual or remote workforce by leveraging existing or new enterprise technology to open up communication, focusing on collaboration, creating digitized workflows, and establishing digital delivery channels or improved channels for the customer.

At Fortimize, we’ve partnered with some of these businesses to build the capabilities and help foster a new culture that has been critical for their successes. We know that digital transformations are not just a short-term project, but rather a long-term opportunity to improve internal efficiency and external customer relationships.

An example of this is Customers Bank, an \$18 billion asset-based regional bank out of Philadelphia. At the beginning of the COVID-19 pandemic, Customers Bank was a \$12 billion asset-based bank, but immediately saw an opportunity when the Paycheck Protection Program (PPP) was launched through the Small Business Administration (SBA) as part of the CARES Act. The PPP loan provided incentive for small businesses to keep their employees on payroll, which in turn was beneficial for maintaining a healthy economy. The bank was in its second year of its digital transformation efforts and adopting an agile culture, but nothing could have prepared it for the impact of COVID-19, or the opportunities that the PPP would provide it. By March of 2020, 85 percent of its workforce went remote. In this paper, we discuss how they were able to adapt to this change and invigorate their business.

In order to see meaningful results from such a large initiative as a digital transformation, the goals should affect and reach far and wide across all teams. To reach such goals, the project requires buy-in from top to bottom. According to research, over 40% of a successful transformation's value comes from growth initiatives, contrary to cutting costs, layoffs, or other slashing efforts.

Organizations that were successful in drastic transformations were more speedy and efficient in how they used capital and unlocking employee ideas. The key to this strategy, however, is start slow with planning, and execute quickly before there is an opportunity to get derailed by more complex proposals.

According to McKinsey Research, organizations that transformed successfully in 2020 have these common attributes.¹



START BIG

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MOVE FAST

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SHARE A VISION

Successful transformations have to begin with C-suite members convincing employees to drive the project initiative. In order for the project to be successful, employees need to have conviction that it's the right move.

Organizations with the above attributes successfully transformed during the global COVID-19 pandemic and created a foundation for real and sustainable growth into 2021 and beyond. A new normal is developing, especially in the financial services industry.

¹ www.mckinsey.com/business-functions/transformation/our-insights/the-path-to-true-transformation

Lessons Learned

From our own experience, we learned it takes the following 5 steps to have a smooth digital transformation.

1. PARTNER WITH EXPERTS WHO SPEAK YOUR LANGUAGE

Even though digital transformation and agile culture are occurring in all industries and there are an infinite amount of consulting firms that offer them as a service, it's important to partner with one that demonstrates expertise in your particular industry.

At Fortimize, we have growing dedicated teams with first-hand industry experience in banking, lending, real estate, private equity, and wealth and asset management. We understand and address the nuances of your industry instead of trying to implement a general, one size fits all solution that may have been successful in the past. Past customers say the way we train and communicate resonated with the leadership group led to impactful change.

2. INVOLVE EVERYONE IN THE TRANSFORMATION, NOT JUST SENIOR LEADERS

While the goal of a transformation project may be to help specific teams enhance relationships externally, it's also an opportunity for organization-wide improvement. We create a consultative approach that starts with Executive Management sponsorship, but ultimately creates a ripple effect of change to all levels of the organization.

For example, we brought our experienced team into Customers Bank and demonstrated the ways Financial Service Cloud (FSC) would be utilized not only by the frontend sales teams to manage and enhance customer relationships, but also how back office team members could use FSC through case management tools to make a significant impact to internal customers, as well as external customers who needed action taken on their accounts.



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What made financial service companies successful was their ability to create a sense of urgency, generate or enhance their agile culture and methodologies, and build technology or partner with businesses to pivot quickly and effectively.

3. SET MEASURABLE GOALS

Create specific objectives that are the most important to your organization. We provide training to senior management in a way that delivers measurable results from top to bottom.

Over the last two years at Customers Bank, more than 140 processes have been digitized or automated, saving over 60,000 hours of processing time. This has significantly improved the efficiency of the back office, but more importantly, created a much better customer experience for both internal and external customers.

4. CREATE AN ADAPTABLE LONG-TERM PLAN

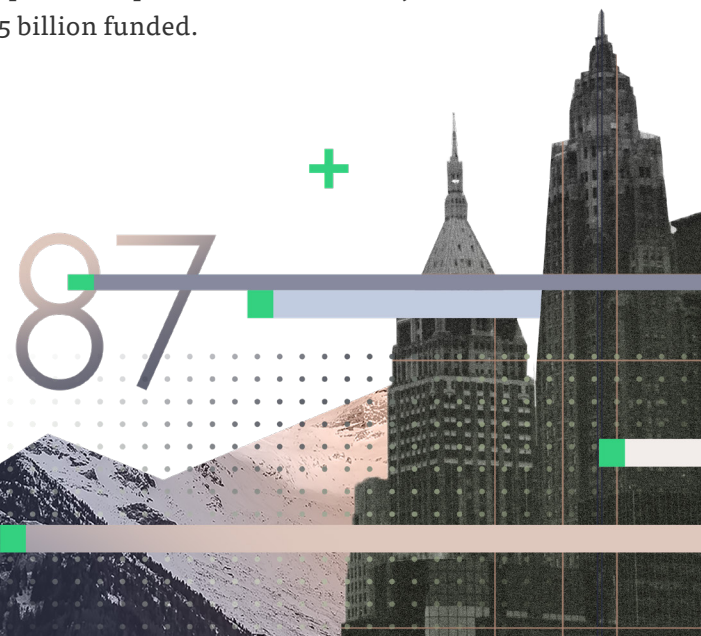
When Customers Bank first reached out to Fortimize, we laid the groundwork for the digital transformation of the organization by leveraging an agile approach. For this implementation, we worked with senior leaders of Customers Bank to not only develop an implementation plan for FSC, but a long term plan for digital transformation of the organization using FSC as the catalyst.

When these digitized processes were met with the impact of COVID-19, 85% of the Customers Bank workforce went remote right away in March 2020. The need for “speed” of digitization was never more essential. Since the Fortimize team helped Customers Bank identify processes to digitize and made those changes via an agile methodology, the remote workforce was able to quickly continue the impact of their work, especially in loan operations, where PPP became the top priority within the company and the country to help small businesses survive.

5. DEVELOP A PLAN TO PIVOT QUICKLY AND EFFICIENTLY

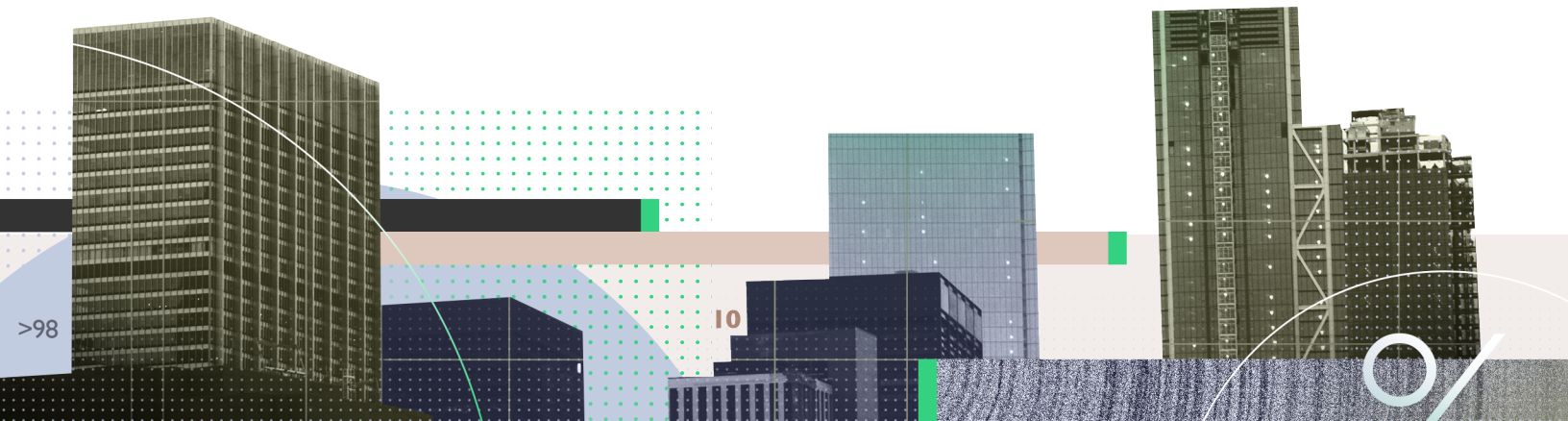
In line with McKinsey's findings, what made financial service companies we partnered with successful was their ability to create a sense of urgency, generate or enhance their agile culture and methodologies, and build technology or partner with businesses to pivot quickly and effectively.

When PPP opportunities were made available, Customers Bank rallied around the effort and created internal processes to handle internal customer demands for PPP by leveraging existing Salesforce Financial Services Cloud (FSC) technology to deliver a channel for execution. Customers Bank then partnered with other Fintech businesses nationwide to help small businesses' customers across the nation survive. Most importantly, this move would keep employees working so they could support their families and the communities they live in. At the end of the first round of PPP, Customers Bank was able to fund over 108,000 PPP loans nationwide. In addition, they became a top five PPP provider in the country with over \$5 billion funded.



Be Prepared for Any New Normal

As the financial services industry embarks on a journey toward the new normal, we can clearly see it includes constant change, speed, scalability, and the ability to adapt and adopt new technology. Digital transformation is all about people, process, and technology. It starts with leadership and is woven into the entire organization. Technology and working with technology partners is the last piece of the puzzle to support, and most importantly, enable change or transformation. It has become increasingly clear that organizations that try to march on without leveraging new technology or technology partners will not succeed. The organizations that embrace change and new technology will create scalable and sustainable growth for years to come.



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