

# The Intelligent Enterprise: Are you ready?



How financial services companies can lead proactively using digital talent, intelligent automation and innovation

## Senior executives in the financial services sector are focused on one theme: the need for digital transformation.



Gartner confirmed this in its 2018 CIO survey<sup>1</sup>. Across all industries the major focus was on growth and market share. However, for CIOs in the financial services sector the main driver is digital transformation and becoming a digital business. Of course, digital transformation is a means to an end – not an end in itself. The goal is to create a business that uses digital tools, talent and expertise to massively improve the customer experience, increase responsiveness and drive innovation and insight.

If you want to respond proactively and lead in your chosen markets, then you need deep digital understanding, automated yet simple operations and an analytics-driven approach to innovation.

At Avanade we've found that successful business leaders are using the transformation journey to create smarter organizations, ones that predict and lead in their markets, rather than react and follow. In fact, we call it an "Intelligent Enterprise." Let's see what we mean by this...

The Intelligent Enterprise has three characteristics:

- 1** *Digital Realization*  
It creates business solutions fit for purpose in the digital world
- 2** *Business Process Agility*  
It simplifies and automates processes while empowering both employees and customers
- 3** *Insight and Innovation*  
It combines intelligence from machines with people to generate new thinking

# An Intelligent Enterprise is not just a theory



It is not easy to transform your business. First, there is a lack of digital skills and tools. By 2020, only 25% of Global 2000 companies will have developed digital training programs and environments to compete more effectively in the drive to acquire talent<sup>2</sup>.



Second, business process complexity undermines the customer experience and constrains employee productivity. 86% of all respondents in a recent HBR survey reported that their business processes and decision making had become so complex that it was hindering their ability to grow<sup>3</sup>.



Third, there is a lack of business insight needed to innovate for industry differentiation. By 2019, IDC<sup>4</sup> reckons 40% of digital transformation programs will be supported by cognitive/Artificial Intelligence capabilities.

Are there any banks or insurers demonstrating the characteristics of an Intelligent Enterprise? In one example, a North American insurer was seeking to build an analytics platform to provide deeper insights into its customers. We mapped key business processes to a cloud-based enterprise data solution, deployed tools to visualize data in new ways to intelligently support customer engagement and built a platform that integrated with on-premise, legacy and new core SaaS environments. This increased employee productivity and improved the company's ability to rapidly launch new digital offerings. This is a good example of all three elements coming together: development of a digital business solution, a simplified process that empowers both staff and customers, and improved innovation capability. *An Intelligent Enterprise is not just a theory – it's happening now.*

## Digital realization requires the right skills, tools and culture within the organization, as well as the right partnerships to deliver beyond it.



Many banks and insurers see significant potential in new areas, such as internet of things, robotics and AI, but do not provide their staff with the skills and tools to exploit these opportunities. A recent Accenture study estimates that for banks which embrace intelligent automation at the same rate as top-performing businesses, revenues could rise by 34% by 2022, but, critically, employment could also increase by 14%; for insurers the figures are 17% and 7%, respectively.

However, only 26% of their workforce is ready to work with these technologies and only 3% plan to significantly increase their investment in reskilling programs in the next three years; for insurers it was 25% and 4%<sup>5</sup>.

Likewise, financial institutions recognize that modern software engineering (MSE) tools will substantially help in digital transformation. In fact, 90% of financial institutions agree that MSE is key in addressing the emerging requirements of the digital business<sup>6</sup>. This includes DevOps teams, Agile app development or a cloud-first approach. 61% say it can lead to improved SLA performance and four out of ten believe it can assist with rapidly deploying innovation and cost reduction. However, two-thirds struggle to find investment, while the majority report a lack of skills in DevOps delivery or Agile development and need third-party expertise.

### *The Intelligent Enterprise in action*

**A major European bank** created a new customer segment and wanted to build new apps for this group using intelligent cloud and MSE approaches. This would enable faster response to market change and the ability to automatically deploy software releases of higher quality. Using Microsoft Azure PaaS and Avanade's Modern Engineering Platform, we minimized the investment needed to rapidly benefit from an agile/DevOps approach due to our expertise in these methods and tools. There was virtually no ramp-up phase, which allowed the team to build applications in days. This meant faster time to market, higher levels of performance and faster concept-to-cash time.



# Reskilling for the digital culture

Organizational culture is one of the main barriers to digital transformation. A recent study<sup>7</sup> showed that the technology and banking sectors were ripe for disruption in this area. Banking has seen serious disruption to date (cited by 65% of respondents) but this will increase in the next year (77%):

SECTOR	DISRUPTION %	
	To Date:	Next 12 Mos.
Technology	74	81
Banking	65	77
Consumer	73	76
Healthcare	56	72
Industrial	51	63

There are 3 common issues related to changing organizational culture: overcoming the silo mentality, avoiding fear of failure and organizing around the customer.

**Creating cross-enterprise groups** and rotating senior management (especially between online and physical businesses) helps to break down silo behavior. At the Bank of Montreal, for example, the shift began as tech employees joined cross-functional product-development teams to make the bank more customer-focused. The business side has learned agile principles from IT colleagues, and IT has learned about customer needs from the business. One result is that the bank now thinks about performance management in terms of teams, not just individuals<sup>8</sup>.

**It is important to demonstrate an entrepreneurial culture** as well as show success from taking major risks. As part of their digital transformation, DBS put leaders into hackathons with local start-ups to better understand their culture. This was rolled out across the business. Piyesh Gupta, CEO since 2009, wanted to find out: “How do you create a 22,000 person start-up?”

**Organizing around the customer is vital.** Progressive was one of the first insurers in the US to launch its Pay-As-You-Drive program, ‘Snapshot’. It used a small telematics device that fitted into the car and monitored customers’ driving habits<sup>9</sup>. This meant better and more conscientious drivers joined the scheme, potentially lower premiums, and underwriters got real data that could be monetized and potentially sold to other insurers.

*Creating a digital culture takes time. The few banks that have done this successfully – DBS in Singapore or Spanish bank BBVA, for example – started early. DBS overhauled its systems in 2009 and began building a digital bank in 2014<sup>10</sup>.*

*BBVA started building its technology platform as early as 2007. It focused on attracting and reskilling digital talent. BBVA invested €40 million a year in the selection and training of its staff and has built an e-learning platform that has delivered over 3 million hours of courses<sup>11</sup>.*

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### *The Intelligent Enterprise in action*

*A North American* investment bank needed a platform to enable sales teams to visually understand and quantify the relationship with a specific customer. We built a platform using data visualization techniques. It is now used by over 3,000 executives within the business. We have adopted a similar approach for other banks in areas such as portfolio management and global markets.

*An insurer* needed to improve sales performance by developing insights into customer behavior. By implementing a Microsoft Dynamics 365 platform, establishing a data warehouse and providing a single customer view, we helped improve visibility on campaign management and customer tracking. This resulted in a 30% sales increase in general products and 40% increase in life products.

## Business process agility: Contented customers and empowered employees

The second feature is to simplify business processes to enhance the customer experience and increase employee agility.

Many banks and insurers struggle to understand their customers and consequently fail to deliver a seamless customer experience across the various channels. This is due to complex legacy systems not suited for the digital age and a silo mentality that gives a partial customer view in each department and therefore fails to spot cross- and up-sell opportunities.

*By modernizing your legacy infrastructure* you can create a single customer view, improve sales rates and provide the right service at the right point in the buying cycle. Intelligent Enterprises develop deep insights into their customers which lay the groundwork for sustainable relationships and greater profitability. We found that financial institutions that modernize their IT base can experience a cost reduction of 15% and revenue uplift of 16% (which worked out to \$1.35 billion a year in extra revenue for those surveyed)<sup>12</sup>.

*Creating a digital workplace* is essential to getting high performance from your staff. Satya Nadella, Microsoft CEO, commented recently: "It starts with empowering everyone in organizations to be more creative, collaborative and ultimately apply technology to help shape the culture of work. The workplace itself is transforming: changing employee expectations due to a widening skills gap, more diverse and globally distributed teams, and an increasingly complex threat environment<sup>13</sup>." Reducing complexity, increasing responsiveness and providing real-time support are the hallmarks of an Intelligent Enterprise and lead to a lower cost base and significantly enhanced revenues.



According to a 2018 Gartner survey, the main driver for CIOs in the financial services sector is digital transformation and becoming a digital business.



# Artificial Intelligence and Robot Process Automation (RPA)

A key part of becoming an Intelligent Enterprise involves the use of automation and RPA techniques to drive process efficiency, improve accuracy and increase productivity. Accenture estimates that 22% of North American banks are already using AI, machine learning and natural language processing (NLP), and another 55% intend to do so within the next year. Nearly one in five North American banks are already using RPA technology and another 63% plan to do so within a year<sup>14</sup>.

Of course, there will be areas where machines will fully displace humans, but those roles will typically be in areas where the work is tedious and repetitive. There are limitations on AI capability that will reduce the fear of mass unemployment: Machines tend to have bias, they lack transparency and do not understand context. If anything, there will be a greater need to “insert humans” into the automated process to produce balance and equity. A good example is the rise in robo-advisers in wealth management over the last two to three years.

For one Latin American bank we reduced the average handling time of a major back-office process by 60%. For a global bank, we ensured 99% of loan applications were processed on the day they were input. For a major European bank, we reduced FTEs and average handling time by 50% in a key business process. For one insurance brokerage firm, we transformed four major labor-intensive processes into an automated end-to-end robotic solution, reducing FTEs by 83% and average handling time by 40%.

We are using such techniques to reduce the cost of regulatory compliance, such as AML (Anti-Money Laundering) and KYC (Know Your Customer) while also lowering risk and improving individual targeting. We have found it particularly effective in credit card fraud, reducing process costs by up to 90%. Using AI for such tasks can cut bank compliance costs by up to 30%, according to the International Banker, saving billions<sup>15</sup>. When DBS launched in India, 85% of customer queries were answered by a chatbot, which kept the launch team smaller than normal.

## *The Intelligent Enterprise in action*

*A mutual organization* wanted to modernize and simplify its operations while being more responsive across multiple customer channels. We deployed a contact center solution, built on the Microsoft Dynamics platform, to over 1,000 service and field sales staff across 28 countries in Europe and APAC. This radically changed legacy business processes, enabling faster payments to customers – from 24 days to under five – and provided a virtual office for easier knowledge-sharing and decision-making.

*A global insurer* saw sales conversion rates jump 20% and operating costs decline by \$3 million after we deployed Microsoft Dynamics with mobile capabilities to support agents on the move. This led to faster responses in the field as customers received same-day underwriting approval. Annualized premium value rose by 50% in some territories.

## Insight and innovation: Unleashing value

Financial institutions are sitting on massive amounts of data. They know that value is trapped inside their organization. The challenge is to free up such information and leverage it effectively to predict customer behavior and attitudes. Analytics is one area that banks and insurers are using to provide both insight and innovation. Being able to use analytics effectively is a requirement for becoming an Intelligent Enterprise.

But the key challenge is to scale up the many pilots in the business, otherwise you will end up with just one-off successes. This includes quantifying benefits and ROI at a detailed level, early engagement with business leaders and framing the right questions so analytics deliver the results. Benefits and ROI analysis can be used to kill off low-performing pilots and fund those projects that are successful.

One insurer wanted to prevent high value customers moving to the competition – without a high-touch (and cost) process. Using an advanced analytics platform, we helped reduce churn by 65% while reducing campaign costs by 40%. The platform also helped improve cross-sell success rates by 80%.

A European bank needed to increase customer loyalty and sales through personalized service. We helped by providing integrated analytics across 17 systems. This led to a 100% increase in outbound sales as staff identified customers most likely to purchase additional products.

For one insurer we developed advanced analytics to predict and rank customers based on their likelihood to churn. And we developed models to predict credit card fraud detection, customer lifetime value and improve their loan underwriting process.

In fact, where analytics is coupled with intelligent automation, RPA, cognitive services, machine learning or NLP, the impact is increased significantly. We helped one insurer generate sentiment analysis toward their brand from unstructured customer data using machine learning, natural language processing and an advanced analytics platform. The client used this to increase NPS (net promoter score: customers that rated the service with 9/10) by 25% compared to the previous period – a major improvement.

## Are you ready?

The opportunity is clear. Adopting the characteristics of an Intelligent Enterprise will help banks and insurers digitally transform their business.

**Give staff the digital tools they need:** Identify emerging issues that will impact your business but enable your teams to exploit those opportunities. Focus on training and development in areas such as DevOps and agile approaches. If you want to move quickly, consider using third-party providers to get you started.

**Keep it simple:** Simpler business processes lead to contented customers and empowered employees. Modernize your IT base and automate processes using human/machine interaction to improve the customer experience and create a digital workplace where your people can be more effective.

**Let data create value:** Unleash the value of data through analytics and insight generation. Scale up pilots by prioritizing those that generate the most benefits/ROI. Couple analytics with intelligent automation wherever possible. This is the era of the Intelligent Enterprise. Are you ready?... [Find out more >](#)





## FOOTNOTES:

- 1 Gartner 2018 CIO Agenda: Banking and Investment Services Industry Insights, October 2017
- 2 IDC FutureScape: Worldwide Digital Transformation 2018 Predictions, November 2017
- 3 Seselj, Ivan, "Don't let complexity cripple your business" (IDG Contributor Network), October 2017
- 4 IDC FutureScape: Worldwide Digital Transformation 2018 Predictions, November 2017
- 5 'Reworking the Revolution' Accenture Strategy report, 2018
- 6 Vanson Bourne: IT Modernization: critical to digital transformation, April 2017
- 7 Russell Reynolds Associates study, April 2017
- 8 Harvard Business Review: The New Rules of Talent Management, March/April 2018 issue
- 9 The Digital Insurer
- 10 Skinner, Chris, "What Makes DBS different?" (The Finanser.com), August 2018
- 11 The World Economic Forum's Digital Transformation of Industries initiative
- 12 Vanson Bourne: IT Modernization: critical to digital transformation, April 2017
- 13 Microsoft News Feature, July 2017
- 14 'Realizing The Full Value of AI' Accenture Banking and Insurance reports, April 2018
- 15 Sengupta, Mallinath, "Innovating Bank Compliance: The Real Benefits of Artificial Intelligence" (International Banker) July, 16



## About Avanade

Avanade is the leading provider of innovative digital and cloud-enabling services, business solutions and design-led experiences, delivered through the power of people and the Microsoft ecosystem. Majority owned by Accenture, Avanade was founded in 2000 by Accenture LLP and Microsoft Corporation and has 30,000 professionals in 24 countries.

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