

A person is seen from the side, sitting at a desk and participating in a video conference. They are wearing a headset and looking at a large monitor. The monitor displays a grid of nine video feeds of other participants. The scene is backlit by a large window showing a bright, hazy outdoor view, creating a warm, golden glow. On the desk, there is a white mug and some papers. The overall mood is professional and focused.

Productivity 2021 and beyond

New world. New skills.

Upskilling the workforce of the future to create a competitive advantage in financial services

Here we highlight the results of PwC's second Productivity in the Financial Services Sector Survey. Our inaugural edition was published in 2019. This report is part of a series of thought leadership pieces about important issues and opportunities facing the financial services industry and the ways that senior executives at the most innovative and successful institutions are achieving outstanding results in a difficult market.




Introduction

COVID-19 has severely disrupted the financial services industry, ending a decade-long positive credit cycle and all but guaranteeing that ultra-low interest rates are here for the foreseeable future. The pandemic also has exacerbated existing productivity challenges. Many firms have had increasingly unsustainable cost-income ratios—and if they don't take action, they'll face an existential threat.

But the pandemic has presented productivity opportunities, too. Some of them are highlighted by the closure of brick-and-mortar branches and offices due to health concerns, the relative ease with which customers have switched to digital channels, and the successful aspects of remote work.

In our [first productivity report](#), published in 2019, we identified six areas that our survey showed were the focus of most institutions' productivity efforts. Now, in our second survey, we realise that one of them, improving workforce digital IQ, is integral to and interwoven with all of the others.



Upskilling as the foundation of productivity



Each of the pillars of productivity, as you will see here, involves some element of upskilling. Better understanding the workforce, for example, requires the deployment of new measurement and analytical tools. Embracing the platform economy to fully leverage gig work and innovation in crowdsourcing means organising and managing the workforce differently and developing and introducing products in a new way. Making sure your employees are equipped with new skills for a new world will unlock productivity gains across the board and is fundamental to becoming a world-beating institution.

As digitisation becomes ever more critical and technology solutions increasingly involve collaboration with third parties, firms need new capabilities. Most organisations have already digitised to some degree and are seeing productivity gains as a result, but there's much more that can be done. For one thing, it's not just technical skills that workers need. They also require training in new 'soft' skills, such as agile methods and advanced collaboration techniques.

Our updated survey shows that many firms are taking concerted action to implement this sort of training. They're also putting in place the resources and technology infrastructure necessary for making productivity gains. In this report, we'll examine the current state of the market, explore success stories, and lay out the next steps we think you should consider as you craft your productivity agenda for 2021 and beyond.



The five pillars of FS productivity

1

**Better understanding
the workforce**



2

**Rethinking change
functions**



3

**Embracing the
platform economy**



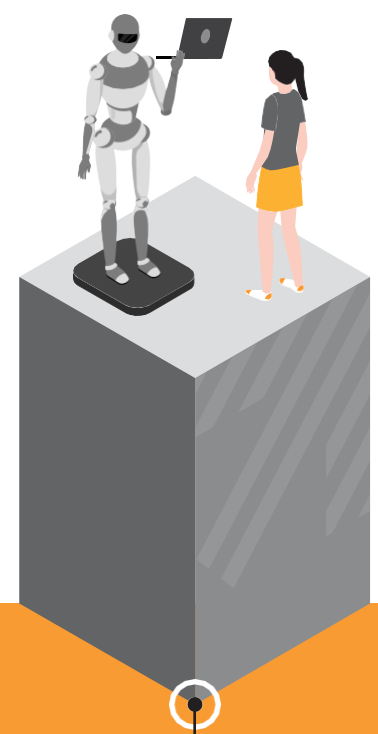
4

**Bringing an agile
mindset to the
mainstream**



5

**Mastering digital
labour**



Upskilling the workforce of the future

Better understanding the workforce

The current situation



On the surface, the survey results regarding understanding workforce productivity appear encouraging, with a majority of respondents reporting some level of productivity tracking. Yet when you dig deeper, little has changed in the past two years in terms of institutions' understanding of the detailed tasks their workers actually do every day. Hourly time tracking or periodic time studies are still rare, and just 37% of firms who are not already applying these measures believe that such tracking will improve productivity, down from 63% in our previous survey. (see Figure 2).

Exhibit 2: More firms tracking work, but few getting granular

Q: Does your organisation track employee work effort and productivity?



62% in 2019 report

Base: All respondents (502)

Q: At what level is this tracking performed?

Hourly, at the task level

15%

Daily

44%

Weekly

44%

Periodic studies

25%

Don't know

1%

Base: Those who say they track employee work effort and productivity (389)

Source: PwC



As a result, managerial decisions continue to be made with very little specific data, often by looking at comparable wage rates in different locations and with a cursory knowledge of the activities associated with individual roles. Few institutions are looking comprehensively at the nature of work, the activities that different employees perform, and how individuals can improve their productivity through new ways of working and the development of digital skills. In our view, gaining a better understanding of the workforce represents a major cost reduction opportunity for the industry.

The COVID-19 pandemic and its aftermath have underscored the importance of analysing workforce productivity. Although [studies have shown](#) that remote workers are just as productive or more productive than office workers, dealing with a more dispersed workforce does add layers of complexity to the already difficult job managers face in evaluating employees, improving their performance and developing teams. From an employee

perspective, the lack of visibility often means that training needs are overlooked, extra work isn't appreciated, and it is more difficult to separate top performers from the middle of the pack.

What needs to happen

Institutions need to develop a baseline understanding of the activities their people engage in each day, supported by quantitative data. It's best to start by applying this approach to a small segment of the workforce where the potential gains are most obvious. For many institutions, this could be a problem unit, a certain category of workers (such as contractors) or an area undergoing change. A detailed time study will generate data needed to identify top performers and laggards, improve the organisation of work, and—critically—make it clear which specific actions would increase productivity and engagement.



Exhibit 3: Obstacles to increased productivity tracking

Q: What, if any, obstacles do you see in implementing additional tracking measures?

Budget/too costly

44%

Time restraint

39%

Employee resistance

38%

Resources have been diverted to crisis management

36%

Lack of resources

34%

Technology is too complicated

33%

Lack of technology tools

28%

46% was the most cited obstacle in 2019 report

None – there are no obstacles

3%

N/A – we have all the measures we need

2%

Base: Those who say they're planning to implement additional productivity tracking measures (286)

Source: PwC

Challenges

Respondents in our most recent survey cite several obstacles to consistent and detailed productivity analyses, including a perception that requiring it would cost too much or take up too much of employees' time. In addition to employer reasons for avoiding detailed tracking, employees might be resistant to workforce analytics for a variety of reasons. For instance, many workers have concerns that productivity tracking information will be used to accelerate their replacement by automation and AI. A [2019 survey](#) shows that 27% of US workers polled fear their jobs will be replaced by technology within the next five years. This is particularly acute in the 18 to 24 age group, where 37% have this fear.

Workforce analytics do lay bare performance and productivity differences amongst employees and teams. However, that information can lead to positive results, including better recognition of high performers, identification of both leading-edge and deficient practices, and better balancing of workloads between teams and individuals. Data also can help managers better align daily work activities to skill levels and experience and help them determine the types of training needed. To ease privacy concerns, organisations can anonymise and aggregate data and ask employees to opt in to the programme.

Steps to take

- Analyse the workforce and determine which employee groups are the most appropriate candidates for engaging in more detailed time tracking and analytics. Information technology staff and third-party contractors, for example, are typically accustomed to tracking time. Instituting greater discipline and task delineation for these groups is typically less of a challenge than for other groups.
- Consider employee self-tracking—rather than using surveillance technology—and using periodic time studies with specific goals in mind (such as identifying best practices, tailoring training programmes or balancing workloads). These approaches can help alleviate employees' privacy concerns, leading to greater adoption.
- Follow up any study with specific actions to improve performance, training, teamwork or any other objective for the employees who participated. When firms do this, we consistently find that approximately 75% of poor performers move to an acceptable level of performance—or better—within six months.
- Finally, leverage this valuable data to make decisions about task allocations, organisation structures, role levels, and opportunities for automation to drive further efficiencies and productivity gains.



A global bank leverages time study insights to reduce operational and control costs

Last year, a major global bank was changing some of its compliance processes and was seeking to understand the right number of full-time employees needed to perform these functions. It also wanted to analyse the operating models of its peers to ensure the assumptions it made were valid and verifiable. Using PwC's Productivity Hub software, the bank captured data about the roles and activities of more than 100 employees across 120 transition activities over a five-week time study. The assessment highlighted the activities that employees spent their time on in that period, which included day-to-day items, along with downtime, training and meetings.

Armed with this data, the company was then able to produce detailed insights into the resources needed for these important transition activities. In one case, the bank had initially estimated that a particular set of tasks required 40 full-time employees, yet the time study showed it was actually ten. In addition, the bank found that almost 20% of employees' time could not be allocated to the defined transition activities, that the assumption that senior resources were needed to complete most tasks was incorrect and that certain deliverables being produced by the group were no longer used or relevant. The end result was that the bank reorganised the group and its activities in a material way, saving more than US\$3m in costs and creating additional capacity to complete the transition both ahead of budget and target completion date.

Rethinking change functions

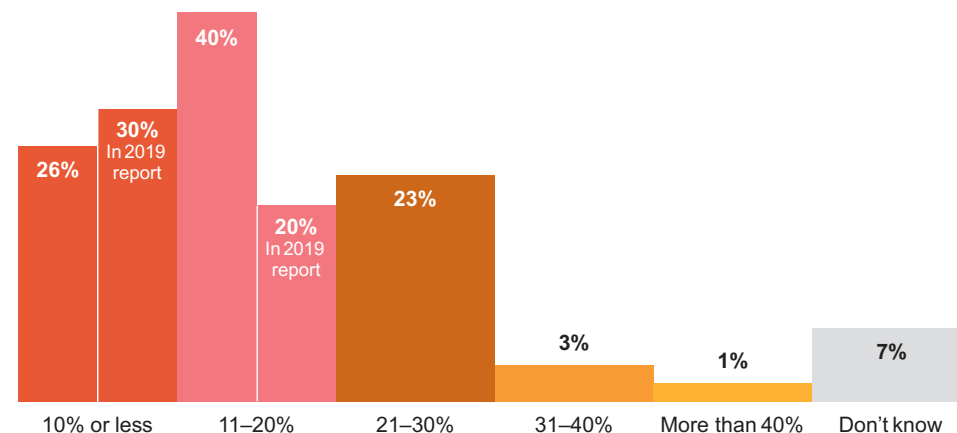


The current situation

Change is expensive. The average change budget at a financial services institution represents about 14% of annual operating costs, according to our most recent findings. Almost one-fourth of respondents are spending 21% to 30% of their operating costs on change programmes, and budgets can exceed that for organisations going through challenging periods. According to another survey PwC conducted in 2020, the top three organisational change priorities, ranked by importance, are client and customer satisfaction (cited by 90% of respondents), regulatory compliance (85%) and operational resilience (82%). Moreover, spending on change programmes has continued to increase since our previous survey, despite continued cost pressures and the impact of COVID-19, and is up 5% year-on-year.

Exhibit 4: Spending on change activities has increased

Q: What percent of your organisation's annual budget, broadly defined, is spent on change activities versus business-as-usual operations?

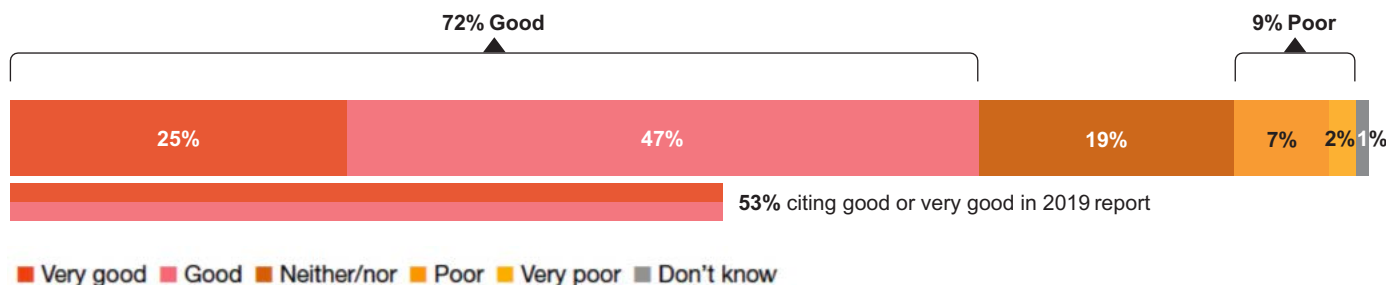


Base: All respondents (502)

Source: PwC

Exhibit 5: A majority say they have good or very good change abilities

Q: How would you rate your organisation's ability to manage and execute change programs?



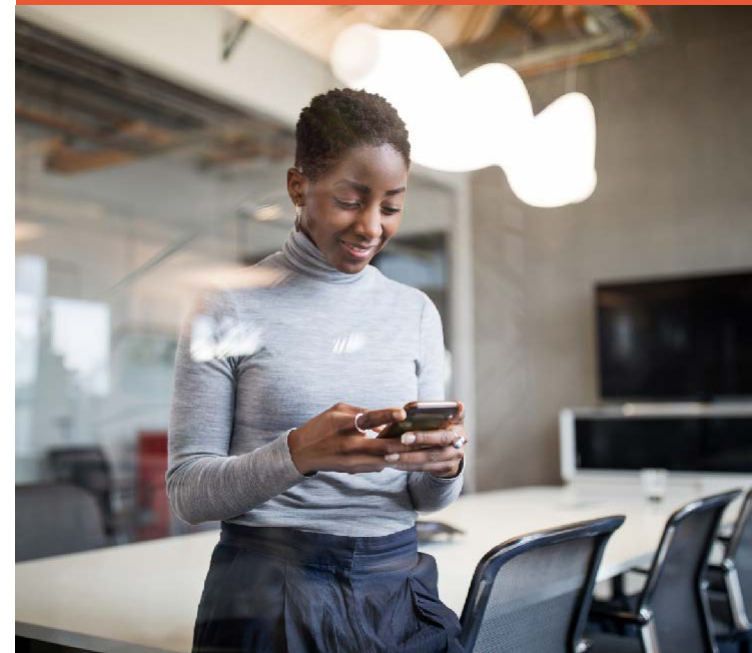
Base: All respondents (502)

Source: PwC

Yet in our experience, increased change budgets are not leading to commensurate results, often because spending is not aligned with an institution's strategic priorities. Worse, firms often have an inflated sense of their ability to implement change. The majority of our most recent survey respondents say they have a good or very good ability to manage and execute change programmes, but PwC analysis shows financial services lagging most other industries in this area. In a post-COVID-19 world, marked by a growing need to accelerate digitisation efforts, right-size businesses, and cut costs in a negative credit and economic environment, institutions need to improve their performance and generate maximum impact from ever-larger change budgets. Digital skills are a key means of achieving these goals.

What needs to happen

As we noted in our 2019 report, productivity must remain at the core of the ROI equation for change initiatives. Quality information about time and expense budgets, business benefits, dependencies, deliverables and other metrics—all at the level of individual projects—enables leaders to prioritise and rationalise the change portfolio at any budget level. Even without perfect or comprehensive information, improved analytics can provide enough insight to significantly improve the ROI on change initiatives. For example, upon close examination, many 'mandatory' change projects include discretionary components that can be trimmed without compromising the primary objective of the effort. Likewise, deeper analysis often uncovers duplication of technology expenditures across different business units. In our experience, better use of data and analytics can help firms reduce the budget for a change portfolio by up to 20% without losing material benefits.



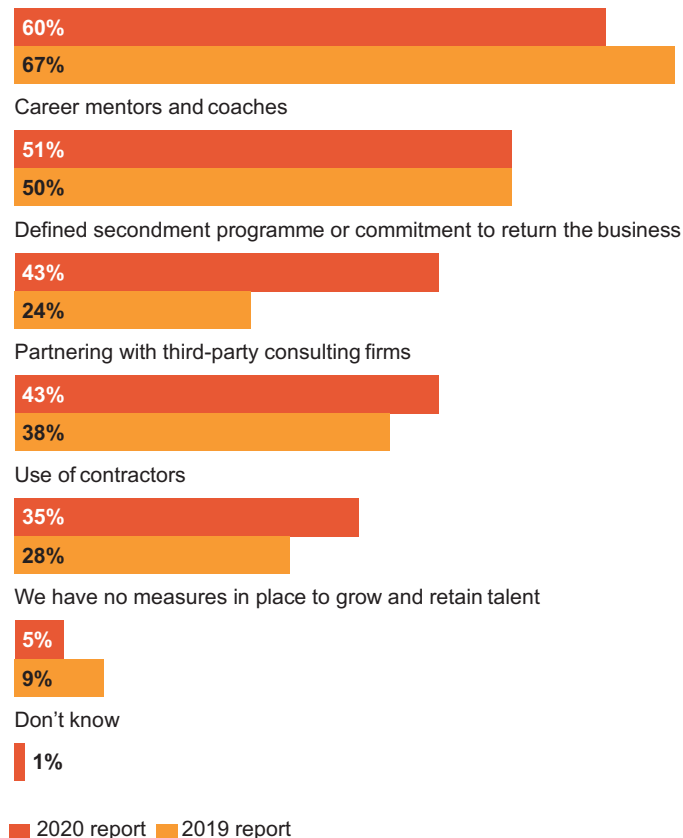
Challenges

Talent is a central challenge in implementing change. Many top employees feel that giving up their day-to-day operational roles to help drive a one-time transformation effort is a high-risk, low-reward proposition, leading to long hours, high stress and an uncertain career path once the transformation is complete. Firms are responding to this challenge by offering specialised training, career mentoring and defined secondment programmes, often with a clear commitment to return to the business once the project ends. Consultants continue to be used extensively as a source for high quality and subject matter expertise, although firms could improve knowledge transfer once the consultants have executed their mandate. Beyond talent, perhaps the most significant challenge in implementing change is shaping the right portfolio of change activities at the outset and accurately measuring results over time.



Exhibit 6: Secondment programs and career mentors are helping talent implement change

Q: What measures, if any, has your change organisation implemented to grow and retain talent?
Specialised training/education



Base: Those who say their organisation has a dedicated change function (388)

Source: PwC

Steps to take

- Use tools to collect and analyse data that will show you the right level of governance for various change activities, interdependencies and potential resource gaps. With this information, determine the optimal portfolio of change activities given your available budget. What is the combination of efforts that will yield the greatest benefits while meeting regulatory and other commitments?
- Get a realistic view of talent needs. More specifically, what types of skills does your workforce need to execute specific changes? Do some teams or individuals require new skills? Does talent need to be sourced from outside the organisation in certain areas? What is the proper balance between experienced hiring and increased use of consultants, contractors, gig economy employees and alliance partners?
- Focus on execution and delivering business value on time and on budget. With better data and analytics regarding individuals and teams executing the work, you can identify high-performing teams and individuals and mitigate projects that are headed off course by offering additional training, reallocating resources or even replacing individuals.

Change portfolio optimisation at a major European bank reduces costs by 40% and improves performance

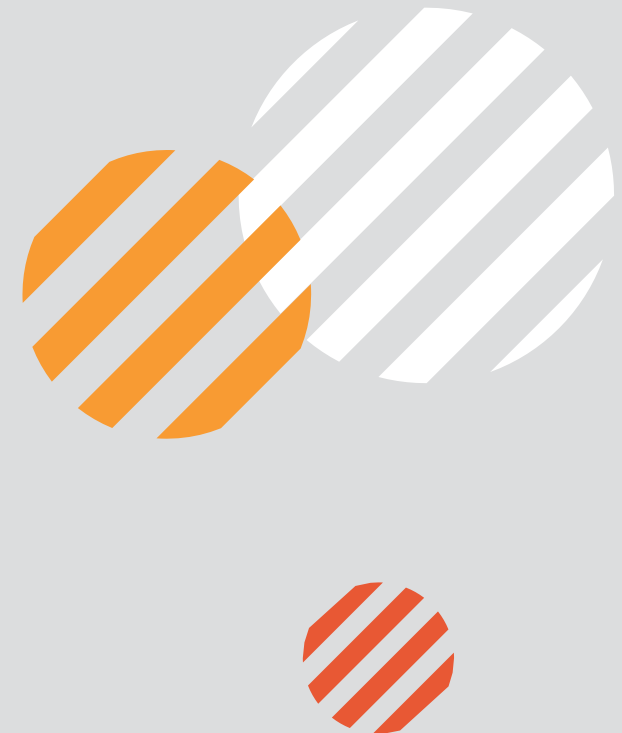
For banks worldwide, COVID-19 has led to downward pressure on revenue, rapidly evolving customer behaviours and an uptick in nonperforming loans, among other changes. However, it has also spurred institutions to do more with less. Against this backdrop, a major European bank launched an ambitious cost-cutting and efficiency initiative in early 2020, seeking to reduce costs by 40% over five years. The initiative has several main objectives.


Short-term cost savings: The bank implemented a range of short-term measures to reduce the cost base by 5% in the first year of the initiative. An important step in achieving this goal was assessing and prioritising the portfolio of change programmes already underway and decreasing the remaining annual spend by 50%. Notably, the bank resisted the temptation to cut too deep or delay strategic investments that would position the bank for future growth.

Cross-cutting strategic cost priorities over the longer term: The bank also took longer-term measures, such as exiting less profitable (or unprofitable) product groups and businesses that were aimed at slow-growth customer segments and geographic markets. The shift to remote work and digital customer interactions enabled the bank to streamline its operational footprint, targeting a reduction in the number of branches by 40% to 60% and closing some customer-service centres. And redesigned automated and digitised customer journeys led to efficiency improvements of 15% to 20%.


A right-to-left approach: Critically, the bank avoided the typical, incremental approach to cost reductions. Instead, it started from scratch and set the spending levels required to reach its target state. That more ambitious approach raises the level of ambition for the organisation, avoids the sunk-cost fallacy of continuing unnecessary investments, and ensures a balanced focus on costs and investments needed to prepare for the future.

Overall, the productivity of the organisation is improving, with a focus on doing more with less, eliminating nonstrategic spend where possible and building capabilities needed for long-term success.





Embracing the platform economy



The current situation

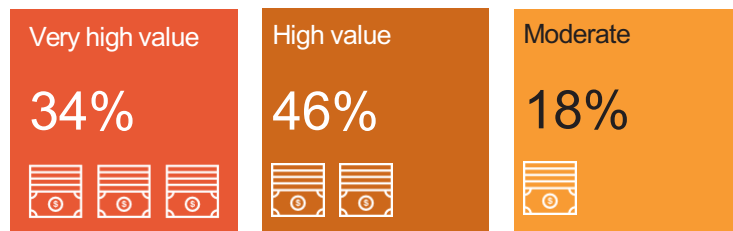
Many of the most valuable companies in the world share one thing in common: They have embraced the platform economy as a business model. They operate with relatively few full-time employees and an increasing percentage of 'gig economy' talent that they can access on-demand, making their organisations extremely innovative, nimble and cost-efficient. Beyond cost efficiencies, these platforms make it possible to access the full spectrum of talent, from workers with undifferentiated skills to professionals with highly specialised expertise.

As we discussed in our previous report, the financial services sector can use a platform approach to access 'new world/new skills' talent and ideas. The sector has made some progress towards this goal. Among respondents to our most recent survey, 50% say they now use crowdsourcing, up from 21% in our 2019 report. Among those that have already implemented crowdsourcing, the vast majority say it's generated high or very high value for the organisation. (see Figure 7).



Exhibit 7: Most firms say crowdsourcing is valuable

Q: What level of value has crowdsourcing added to your organisation?



Base: Those who say they leverage platforms to crowdsource solutions (252) Minimal (1%), Don't know (1%)

Source: PwC

Q: Would you recommend to others that they employ crowdsourcing?



Recommendations remains in line, with 94% in 2019 report

Base: Those who say they leverage platforms to crowdsource solutions (252), Don't know (2%)

Source: PwC

Next, we expect many financial institutions to become platform companies themselves—facilitating transactions across a wider suite of products and services (including those from other participants on the platform). Mutual fund marketplaces and multi-provider lending and insurance sites are some examples. We believe this trend will continue, pushed forward by some of the forces we describe in our recent report [The future of financial services: Securing your tomorrow, today](#). These include continued low interest rates and margins, the increasing cost of regulated (versus unregulated) capital, and the rise of nonbank lenders and investors in the market.

What needs to happen

Leaders in the industry are looking seriously at their workforces to evaluate which roles need to be performed by permanent employees and which can be performed by gig economy workers, contractors or even crowdsourcing. We suggest that all firms follow suit. COVID-19 and remote working have opened the door to accessing talent outside of a firm's physical location, including outside of the country. Talent platforms provide a clear means to access gig economy talent and related classification and compliance services, and they typically charge fees substantially below those of traditional contracting firms.

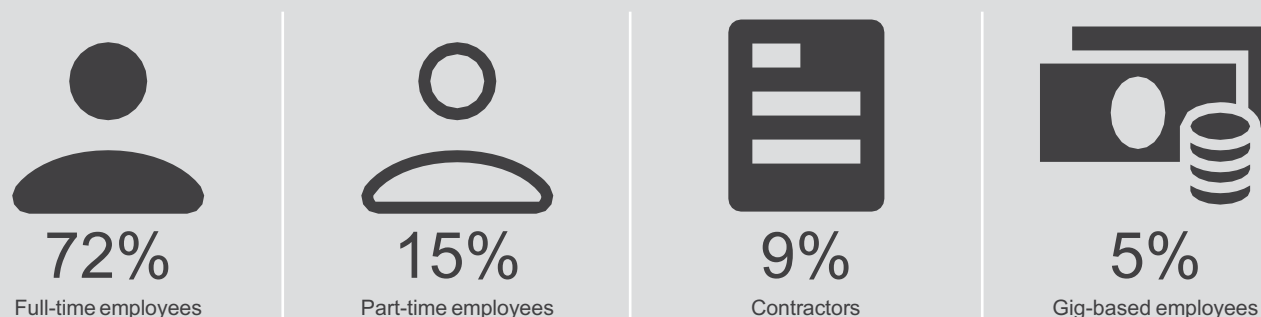
Challenges

Despite increasingly available on-demand talent, most institutions still rely primarily on full-time and part-time employees. But many of our survey respondents say they expect to have more gig-based employees over the next three to five years. We believe this group of employees will likely perform 15% to 20% of the work of a typical institution within five years, driven by continuous cost pressure and the need to access digitally skilled talent.

Exhibit 8: Organisations are planning to use more gig employees

Q: What is the estimated percentage of full-time employees, part-time employees, contractors and gig-based employees in your organisation?

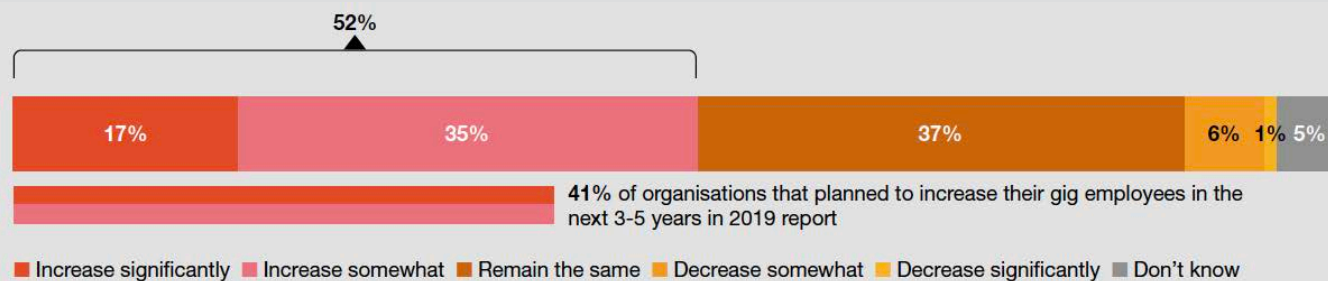
Mean % of employee type in organisation



Base: All respondents (502)

Q: How do you expect the % of gig-based employees in your organisation to change in the next 3-5 years?

Predicted increase



Base: All respondents (502)

Source: PwC



Exhibit 9: Obstacles to crowdsourcing

Q: What are the major obstacles to engaging in more crowdsourcing?

Confidentiality concerns



Lack of knowledge/experience



Regulatory risk



Risk avoidance



Other



Don't know



■ 2020 report ■ 2019 report

Base: All respondents (502)

Source: PwC

Getting to this point, though, will require overcoming several obstacles. When it comes to crowdsourcing, the obstacles our survey respondents cite most commonly haven't changed much since our 2019 report and include confidentiality concerns, a lack of knowledge, regulatory risk and overall risk avoidance. In addition, our experience shows that central reasons for not leveraging platforms more widely are a lack of institutional commitment and deeply ingrained procurement practices, particularly for talent. Supplier arrangements and contracts with larger institutions can literally take years to complete, and it's almost impossible for new entrants to break down these barriers.

Steps to take

- Make crowdsourcing and the gig economy part of your productivity and workforce strategy at all levels, from the C-suite to the most junior hires. This push must come from the very top of the organisation to be successful, given general resistance to change. A growing number of partnerships between financial institutions and technology companies (such as the leading cloud providers) will further move financial services in this direction.

- Understand which talent and solutions platforms are applicable to your business. This area is so new and growing so quickly that organisations need to establish a baseline and continually update it over time.
- Identify the highest-volume or highest-impact work (perhaps starting with 15% to 20% of total work) that would be better served with a gig economy placement and begin exploring talent platforms and building virtual benches of on-demand talent. Is there a particular transformation or one-time exercise where you can blend in more gig economy workers?



When deciding whether to crowdsource, organisations in China are more likely to cite a lack of knowledge/experience (70%) compared to organisations overall (43%)



A top Asian bank leverages the gig economy to improve labour flexibility and reduce costs

At one of the retail subsidiaries of a top Asian financial institution, the management team was facing some significant talent challenges. The unit wanted to reduce its reliance on full-time employees in a number of areas, but it was unsatisfied with both the cost and quality of the options that staffing and contracting firms offered. Leaders considered engaging with contractors directly but were concerned about compliance and legal risks, not to mention the costs of setting up and operating the infrastructure needed for services such as background checks, onboarding and worker classification.

The unit ultimately opted to work with MBO Partners to offer an enterprise-level marketplace solution for gig economy workers. Such talent platforms provide a cost-

effective means of accessing gig economy talent—from software engineers, designers, and programme managers to executive coaches—along with related classification and compliance services. Working closely with compliance, human resources and other relevant functions, the platform company now delivers to the bank its talent marketplace, while operating necessary technology and infrastructure.

By partnering in this way, the bank was able to get several crucial benefits.

- **Significantly lower costs:** The platform company's service fee per gig economy employee was below 10% of what the employee earned, compared to 25% or more that most contracting firms charge.
- **Higher-quality talent:** Compared with staffing firms the bank had previously worked with, which used their brands to recruit talent, the platform company allowed the bank use its own brand to attract better talent.

Because of both the lower costs and branding factors, the bank used the platform to fill more roles within its workforce with high-quality external workers than when it used staffing firms. This led to better client outcomes and more value delivered at a lower cost.

- **More accessible talent:** The bank has been able to rapidly build larger groups of key resources in critical areas and quickly meet its talent needs for specific projects.
- **New talent models:** The bank has opened up new roles to gig economy workers and engaged in 'try-before-you-buy' arrangements in which they can test out workers before offering them full-time employment.

Bringing an agile mindset to the mainstream



The current situation

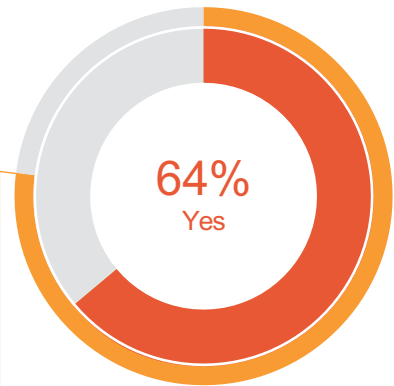
Somewhat surprisingly, our most recent survey shows that the use of agile ways of working actually declined over the past two years. The most common applications are still in information technology, finance and business development (see Figure 10). Our work with institutions around the world has given us some insight into why this might be the case. First, some management teams might not be fully committed to the journey. Other management teams don't always understand how the new approach will create value or improve performance, and they might be uncomfortable working in unconventional ways with greater transparency. In extreme cases, they might actively undermine confidence in agile ways of working by citing examples where peer organisations have failed.



Exhibit 10: Use of agile ways of working is down

Q: Is your organisation adopting agile ways of working?

Adopting agile ways of working



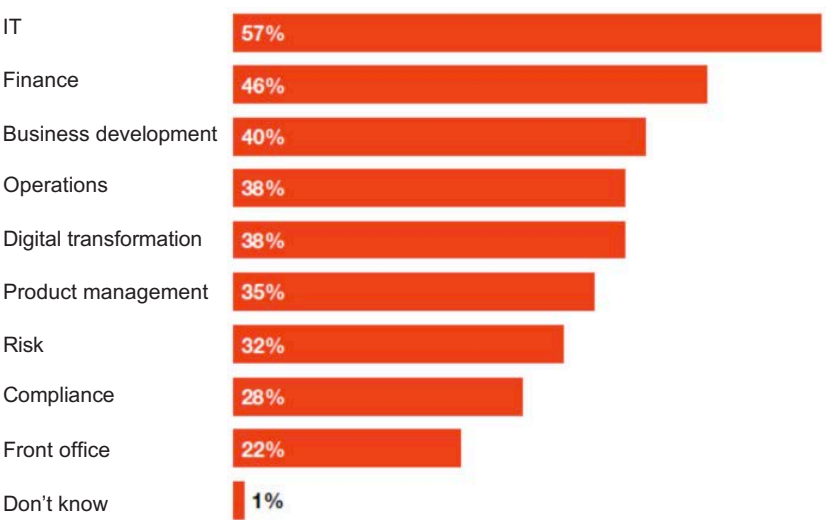
77% in 2019 report

Base: All respondents (502)

Source: PwC

Q: In what areas of your organisation is agile being used?

Areas of the organisation where agile is being used



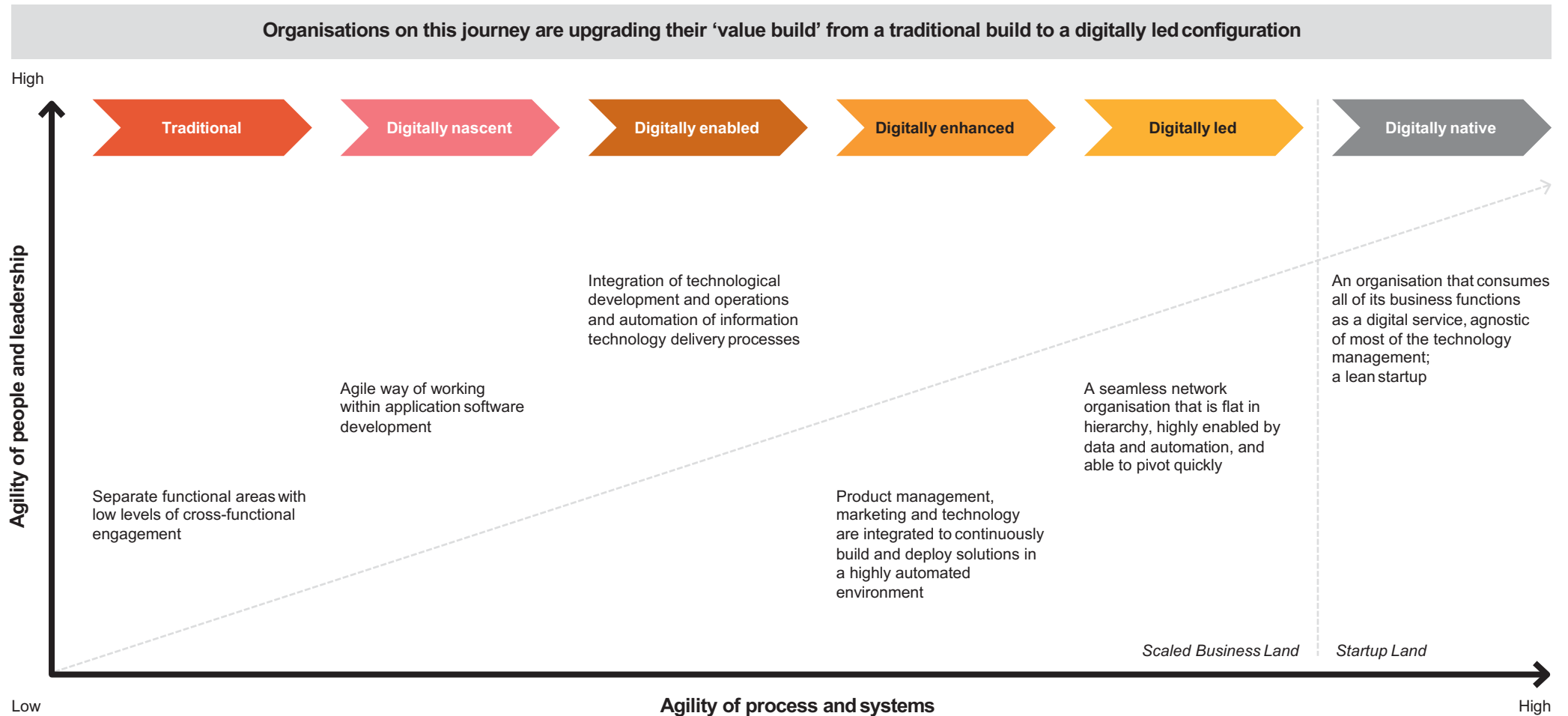
Base: Those who say they are adopting agile ways of working (323)

What needs to happen

Agile is not a single, monolithic approach. Rather, it can be adapted to the unique business model, culture and ways of working at an organisation, and toward a specific set of objectives, from boosting productivity to increasing employee engagement and creating a better customer experience. Moreover, agile is best implemented in financial institutions when viewed from the enterprise lens, rather than being isolated within a single business or support area. But doing this will result in profound change in the way an institution is organised and operated, so organisations need to build up their capabilities in stages over time (see Figure 11).



Exhibit 11: Agile methods and the digital maturity continuum



Source: PwC

Challenges

In addition to the mindset challenges we've described that might prevent managers from experimenting with agile ways of working, firms also often try to use standard, out-of-the-box solutions based on rigid frameworks rather than tailoring solutions to meet their specific needs. Some transformations might be too ambitious to succeed — or too cautious to generate meaningful results. Disruptive new technology or ways of working could push teams too far. And some agile initiatives fail due to a lack of momentum. Teams and employees need to see quick wins early on to be persuaded that a project has merit. Without those early successes, projects stall out, and scepticism grows.

Steps to take

- Commit the entire management team, ensuring that each member understands how an agile approach will unlock value and improve performance. Expect leaders to enthusiastically and publicly support the efforts.
- Design and build a model that is uniquely aligned to your organisation's needs, identity and brand. There are well-known examples of famous companies that have adopted agile ways of working that provide great reference points, but simply trying to replicate them will not work.
- Carefully calibrate expectations. Start with a workable organisational or customer outcome and work backward from that target. Know which aspects of the business don't need to change drastically.
- If your organisation has a deeply entrenched culture and ways of working, perhaps don't even use the term *agile* at first. Some basic elements of agile, such as daily stand-ups, don't require a formal change effort and can be implemented simply by leading through example. Once these sorts of methods are in place and the team sees the value in them, you can then apply more ambitious measures.



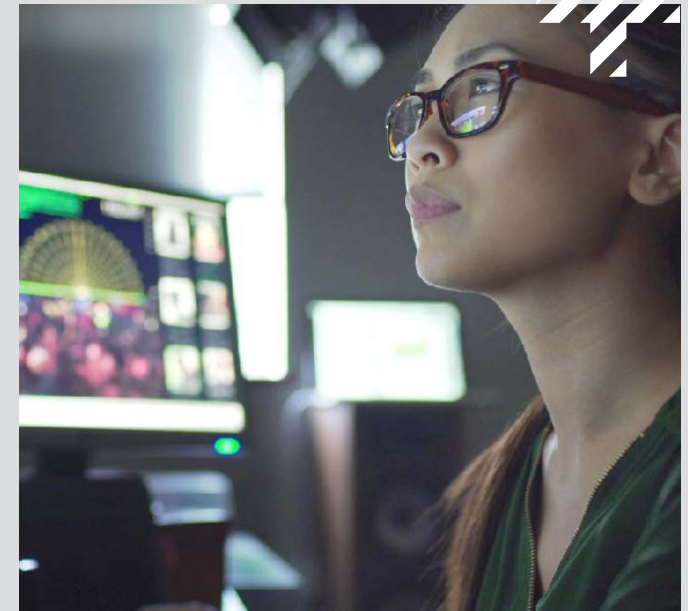
A major insurance company applies agile at global scale

An insurer that serves 15 countries across Europe and Asia wanted to implement an agile and efficient operating model in order to rethink, simplify and standardise the way it created value for customers. Some localised business units had taken steps on their own to integrate agile and be lean. This was a bottom-up approach to change that was fast and flexible but also had a major drawback: Each market felt like it had to start from scratch, with few opportunities to collaborate or scale up successful initiatives.

The company needed to unify its lean and agile practices and capabilities, identifying and standardising elements that were working well while still providing autonomy where possible. PwC helped the company in this effort,

analysing good practices, finding common denominators and establishing global standards. The insurer's best practices are now compiled into an organisational blueprint that addresses governance, ways of working, financial and risk management and an employee engagement model, among other areas. Each entity is responsible for assessing its performance against the blueprint, identifying gaps and implementing measures to improve. Local lean and agile experts can access the global firm's insights and training kits to implement the new standards and practices.

Through this initiative, the company has generated significant improvements in key metrics. The average lead time for information technology change has been reduced from weeks to days. Successful innovations from other markets can now be applied at the local level in weeks rather than months.



Mastering digital labour



The current situation

'Digital labour' encompasses all of the tools and techniques used to replace human labour with technology. According to our most recent survey, artificial intelligence (AI) has passed robotic process automation (RPA) as the most widely used type of automation solution, and PwC's experience on the ground supports this finding. AI is increasingly being used to drive exponential improvements in productivity and provide unique value to end customers. For example, AI solutions now enable the underwriting of large mortgage loans in minutes, allowing home buyers to walk through a property and make a fully backed offer on the spot — a dramatic improvement over the weeks-long process offered by traditional institutions. AI is also increasingly being used in conjunction with Internet of Things devices to track data as diverse as health factors, driving habits and investor sentiments.

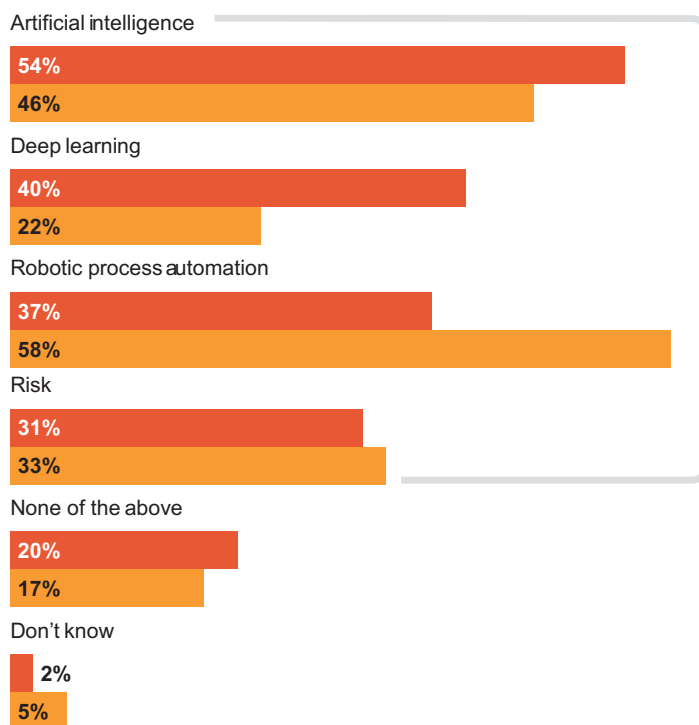




Exhibit 12: Use of most digital labour tools is up

Q: Is your organisation using any of the following tools to improve productivity?

Tools used to improve productivity



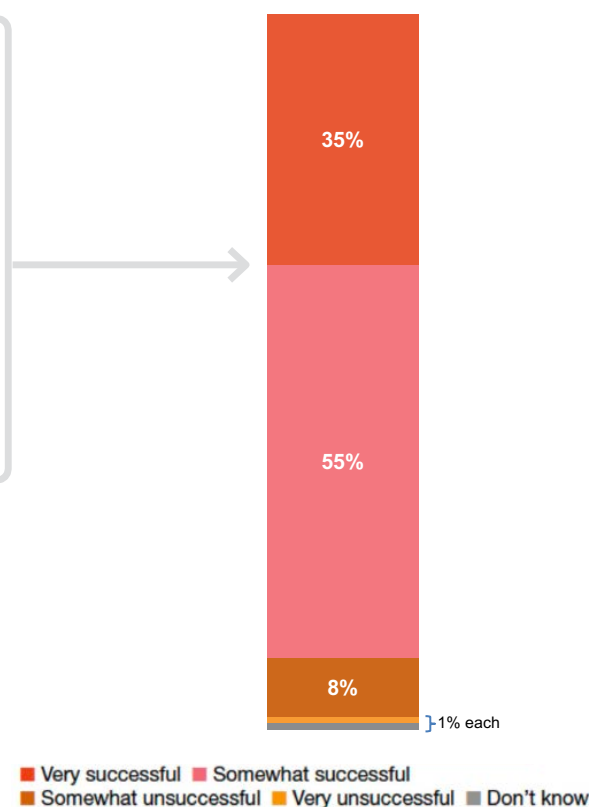
■ 2020 report ■ 2019 report

Base: All respondents (502)

Source: PwC

Q: How successful have these tools been in improving the productivity of your organisation?

Success of tools in improving productivity

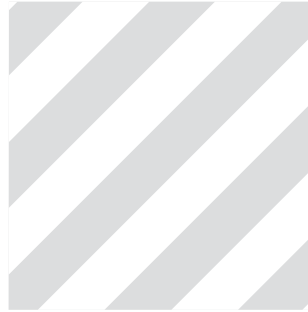


■ Very successful ■ Somewhat successful
■ Somewhat unsuccessful ■ Very unsuccessful ■ Don't know

Base: Those who say they're using a digital labour tool (391)

As organisations incorporate AI into more and more areas of the business, regulators and other stakeholders are increasingly focused on topics such as transparency, control, fairness and privacy. The risk is that AI is creating new 'black boxes', where humans are unable to understand the nature of the algorithms and their implications. Do credit-scoring algorithms have hidden biases that discriminate against certain borrowers? Are the algorithms that are monitoring transactions for money laundering able to detect the latest techniques used by drug traffickers and terrorists? Can my AI-based intrusion-detection software cope with the latest threats from hackers, organised crime and national governments? These questions have moved beyond risk and technology functions and into the C-suite, and we are only at the beginning.

The increasing use of the cloud is akin to providing rocket fuel to the use of AI in financial services. In fact, many of the first applications being developed or converted to both the private and public clouds are algorithmic in nature and require large amounts of data and computing power. AI is an area where the cloud providers themselves will lend not only their immense computing power but also considerable expertise.



What needs to happen

As these new digital labour solutions become mainstream, you'll need to apply the same type of rigorous management and control processes to AI and RPA that you have to more traditional automation efforts carried out by the information technology department. This also means that end-user upskilling efforts need to go far beyond simply teaching people to use a tool. The workforce will need a better understanding of control, change management and other elements of the systems development lifecycle. In addition, firms will need to emphasise rigorously testing AI solutions for biases and ensuring that data is collected and used responsibly — both during the development of these applications and after they are rolled out. This means thinking about how data is used, unconscious and conscious biases, data protection and other ethical matters.

Challenges

In our experience, many clients still lack a rigorous method to determine where digital labour solutions would most benefit their end-to-end processes in terms of improving client satisfaction, reducing cycle time and lowering the number of full-time employees needed. Institutions

continue to make educated guesses about where best to implement digital labour, generating improved — but still less than optimal — results. Our most recent survey shows that 30% of respondents cite poor implementation of tech (versus 71% in our 2019 report), and 36% note a lack of a coordinated strategy (versus 59% previously).

Organisations need to be careful that citizen-led automation efforts are both efficient and well-controlled. As the number and complexity of these efforts increases, some executives and control functions fear a repeat of the computing debacle of the early 2000s, when ad hoc automations (mostly Excel macros) led to a series of control failures and information misreporting, with sometimes serious financial and regulatory effects. Proactive institutions are implementing a robust control and change management infrastructure and system of governance to manage this risk. In addition, firms' increased reliance on algorithms raises questions about transparency, control, fairness and privacy — and regulators and other stakeholders could increasingly scrutinise AI. The shift to cloud-based services, which can put AI applications directly into the hands of consumers in cost-effective ways will only fuel these concerns.

Steps to take

- Across all categories of digital solutions, the key question to ask is whether your infrastructure, methodologies and control processes are fit for purpose. The first step is simply to understand the full extent of digital applications your organisation is using, along with the intended roadmap for use.
- Consider the full end-to-end lifecycle, from business-case development to implementation to change management, and what additional or different techniques, methodologies, infrastructure and education you need to support digital initiatives. This is key to making sure that automation solutions not only provide short-term productivity benefits but are both sustainable and controllable.





A top global bank embraces citizen-led development to improve its finance function

This institution's finance function was burdened by highly manual and repetitive tasks, inconsistent processes and high labour costs. The firm wanted to remain a market leader in innovation, solidify its reputation as an employer of choice, and augment the workforce with tools that enable more efficient and effective ways of working. Management recognised that implementing new digital technologies could quickly generate both quantitative and qualitative benefits to the organisation. To get there, the company adopted a citizen-led approach to automation.

Several measures were critical to the bank's success. First, C-suite leaders were evangelists for the change, aligning on a clear strategy and specific business outcomes. In addition, several inaugural use cases generated quick wins, which built momentum for broader adoption while freeing up IT resources for more complex efforts. The business, application and data teams also worked together to develop a central governance structure

to manage solutions, track business improvements and coordinate on complex, interrelated processes. And the bank formed a user community where employees could share best practices and lessons learned.

The programme resulted in benefits including:

- Labour cost savings of US\$15mn (annualised) in the first nine months
- More than 200 successful use cases across four finance teams
- Standardised and improved end-to-end processes that deliver high-quality and timely information, generate insights and enable better decisions
- Enhanced controls on areas such as regulatory reporting, financial reporting and balance sheet reconciliation, which ultimately reduced end-user computing risks
- Overall increased employee engagement and productivity



Conclusion: New skills for a new world

As our survey results and experiences with the world's leading financial institutions show, there are many ways to address the daunting productivity challenge, but they all share a common foundation. You need to improve the digital IQ of your workforce, along with relevant softer skills. These skills are even more critical in a post-COVID-19 environment. They are, in fact, the decisive factor in increasing productivity on a sustainable basis, which is proving to be one of the key factors in an organisation's long-term success.

This skills challenge calls for a comprehensive talent strategy and approach and the execution of specific upskilling efforts that can explicitly demonstrate the tie between investment and improved business outcomes. Without these quantitative results, along with greater employee engagement (which can also be measured), our experience shows that upskilling programs quickly lose momentum and can ultimately fail. On the other hand, explicitly linking investments to outcomes and capturing benefits typically builds confidence that such efforts deliver real improvements in return on investment and other aspects of performance. This momentum can quickly spread throughout the enterprise.

We hope the many ideas and real-world examples shared here inspire you in your own productivity and upskilling journey.

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About the survey

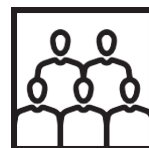
Methodology

This survey builds upon the initial productivity survey, conducted in 2018 with PwC clients and published in 2019.

This year, given the impact of COVID-19 and to minimise burden on clients, the survey was conducted online, targeting senior decision makers across financial services organisations.

The survey was live from June 2 to June 24 2020, during a time when many countries were still in the midst of workplace disruption due to COVID-19.

Summary of business panel survey responses achieved:



502

Organisations participated



60%

of responses from C-suite executives



27%

of responses from \$5bn+ organisations



15

countries represented



Across AWM, BCM and Insurance

Please note: Percentages throughout the report may not total 100% due to rounding

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