

# Focus on growth: Striking the right value balance within financial services\*

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**PricewaterhouseCoopers Global Financial Services Briefing Programme**

Welcome to the 11th report in our global financial services briefing programme, entitled **Focus on growth: Striking the right value balance within financial services**. This briefing, written in association with the Economist Intelligence Unit, addresses the key issues that financial institutions are facing with regard to the strategic issue of growth.

The research effort for this briefing comprised two global initiatives:

- The Economist Intelligence Unit held more than 15 interviews with senior executives at financial institutions in Asia, Europe and North America.
- The Economist Intelligence Unit and PricewaterhouseCoopers conducted a special online survey of senior executives in financial institutions on the subject of growth. Executives from 201 institutions in Asia, Europe and North America participated in the survey, which was conducted during February and March 2005.

The interviews and survey findings were further supplemented by significant desk research.

I am confident that you will find this briefing thought-provoking and insightful. Soft copies of this, along with our previous briefings on **Wealth Management, Economic Capital, Risk Management, The Trust Challenge, IFRS, Compliance, Restructuring, Governance and Performance Improvement** are all available from our web site [www.pwc.com/financialservices](http://www.pwc.com/financialservices)

If you would like to discuss any of the issues addressed in this briefing in more detail in relation to your organisation, please speak to your usual contact at PricewaterhouseCoopers or one of the editorial board members listed at the end of the briefing.

We would also appreciate your feedback on this briefing as it helps us to ensure that we are addressing the issues that you are focusing on.


**Jeremy Scott**

Chairman, Global Financial Services Leadership Team

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Growth stands high on the financial services agenda. After a period of conserving and building their resources and boosting returns to shareholders, financial services institutions around the world are shifting up a gear. From insurance to banking and asset management, companies are eyeing opportunities inside and outside their existing sectors, overseas as well as at home. No fewer than 65% of the 201 financial services executives surveyed for this briefing agreed that managing for growth had become a higher priority over the last 12 months.

Economic growth is expected to drive much of this expansion. Interest rates are still low by historical standards and the world economy is growing at a reasonable pace. Demography is providing a following wind, at least in terms of retail savings. As baby boomers in developed countries near retirement, demand for wealth management and investment advice is expected to surge. At the same time rising standards of living are leading to faster rates of growth in both savings and consumer lending in developing countries too.

It will not all be plain sailing, however: a third of survey respondents believe that the growth targets they have been set are optimistic as opposed to realistic or conservative. Challenges to the agenda for growth vary from region to region, sector to sector. But three stand out:

- Asked to identify the principal impediments to the growth strategies that their organisations will face this year, the survey respondents put

**competition** top. Despite respondents' expectations that organic growth will be the primary driver of expansion at their organisation, new business models and products are required to break the mould in many saturated, mature markets. In emerging markets, although growth is relatively easy to come by, the smartest organisations will work both to carve out a place in the market and then to erect barriers to entry around it so that, as competition intensifies, the benefits of fast-growing economies continue to flow.

- **Risk, both economic and political**, casts a shadow over growth prospects in several markets. The sliding dollar, rising interest rates and the possibility of a sharp reduction in China's rate of growth all have the capacity to undermine the macroeconomic balance. The possible impact of a slowdown in consumer spending in the US and the UK is also a worry. West European economies will continue to disappoint.

- Mounting **regulation**, and the fear of failing to comply fully, could distract management, complicate acquisitions and stifle entrepreneurialism. For institutions operating in multiple territories, putting in place local and regional governance structures to meet the wishes of various regulators can add additional costs and soak up senior management time. A majority of respondents also agree that a sharper accent on compliance, governance and risk management is dampening the appetite for risk at their organisations. Creating an entrepreneurial culture is seen as one of the key challenges of moving from a focus on value to one on growth.

Faced with these challenges, institutions are not about to spend massively on strategies for growth. In line with their emphasis on organic growth, sales, marketing and customer-service capabilities are regarded as the most critical enablers by survey respondents. Whether

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developing new products or building on existing ones, whether seeking out new customers or selling more to existing ones, growth will largely depend on an organisation's people. From improving the skills of customer-facing staff to nurturing risk appetite, the quality of management and of employees will be critical in determining success.

A tight focus on costs and efficiencies will also be essential. It is striking that performance improvement comes high in the hierarchy of drivers for growth identified by respondents to the survey, and that two-thirds rate cost efficiencies as either critical or very important in driving growth over the next 12 months.

**'Successful firms will not abandon cost control as a way of creating value,' says Nigel Vooght of PricewaterhouseCoopers in London. 'But the income side of the equation will definitely become more important during the coming months as companies get closer to their customers and look for ways of growing in innovative ways.'**

**Six imperatives for the growth-orientated institution**

For their strategies to succeed, financial services firms cannot sit back and wait for the pie to grow. Leading institutions can improve their chances of sustainable growth through the following courses of action:

- 1. Invest time in careful planning and communication of strategies.** The fact that a substantial minority of survey respondents said their targets for growth are optimistic suggests that executives at many institutions are not fully convinced of the strategies they are expected to execute. Proper quantification of risks and financial outcomes, and the use of a range of analytical techniques, are essential in formulating strategy. In emerging markets in particular, this means selecting the right geography or segment to achieve and sustain profitable growth. Proper planning does not mean slow execution, however: successful institutions are capable of testing new ideas and adjusting to market feedback at speed.
- 2. Be realistic about where and how you want to grow.** Growth can be defined in a number of ways: respondents to our survey mainly target revenue, followed by operating income and assets under management. Managers must consider the impact that rapid growth can have on the quality of customer service, on performance levels and on profits. Reputational issues also need to be considered, particularly as institutions expand into markets where business practices may differ from those at home.
- 3. Get close to the customer.** Survey respondents place great emphasis on the performance and quality of front-office functions, not just in applying local knowledge to service customers but also in leveraging their insights into customer needs and behaviours in order to improve their products and services. They also recognise the value that high satisfaction levels among existing customers can bring as a source of referrals and of opportunities

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**Six imperatives for the growth-orientated institution** continued

to extend sales. Closeness to the customer also implies the flexibility to change offerings to suit local market conditions: what works in, say, the Netherlands may or may not work in India. Sometimes it also means learning from successful business models employed by other highly responsive industries.

- 4. Use technology appropriately.** If people are critical to growth, technology is close behind. Electronic distribution channels can be a significant enabler of cost-effective growth, as ING has proved in Europe and elsewhere with its one-size-fits-all IT model; they can also help international firms vault barriers to entry in new markets. Technology is critical to the effective management of customer relationships and to the measurement of companies' performance. Whether integrating legacy

systems or simply updating their own applications and infrastructure, controlling the cost of IT can also make a material contribution to the bottom line. But the value of technology will vary between markets and customer segments: CRM in some emerging markets is more likely to depend more on personal relationships than data analysis, for example.

- 5. Innovate in areas of strength.** When asked to assess their own capabilities with regard to an array of growth enablers, survey respondents ranked innovation bottom of the pile. Yet whether they are dealing with new products or old, virgin markets or existing ones, institutions must be prepared to innovate, not just to grow but also to create and raise barriers to entry. Many global companies have achieved growth in markets such as China, for example, but have neither innovated nor distinguished themselves significantly from their local competitors. The key is leveraging

those skills and technologies in which the organisation is best-in-class in order to build a differentiated platform for growth. In mature markets, too, an enterprise-wide culture of innovation is essential to unlock pockets of growth – witness the huge success that Canada's CIBC has enjoyed by offering Aeroplan frequent flyer miles on its credit cards.

- 6. Invest in, develop and reward the right talent.** When asked to identify the biggest challenges associated with the shift from focusing on value to focusing on growth, survey respondents plump first for finding the right people and, second, for creating a more entrepreneurial culture. Growth strategies will require greater numbers of talented people with a global mindset, a relentless focus on the customer and innovative skills, as well as flat decision-making structures that are capable of incentivising staff and enabling innovation.

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No fewer than 65% of the 201 financial services executives surveyed for this briefing agreed that managing for growth had become a higher priority over the past 12 months, and the majority are expecting revenue growth this year of more than 10%. Sir John Bond, chairman of HSBC, set the tone in his 2005 statement accompanying the bank's annual results when he said: 'The opportunities available to HSBC to grow profitably have never been greater, either geographically or by consumer group.'

The reasons for this shift in emphasis from cutting costs towards growth are not hard to find. Though rising, interest rates are still low by historical standards and the outlook for the world economy remains relatively bright. By and large, provisions for bad debt are down and interest income remains strong. The increasing use of derivatives is spreading risk and making capital more mobile. Asked to identify the most significant drivers of growth at their institution this year, more respondents pick economic growth than any other option.

Demographic forces – particularly the greying of the baby boomer generation – will also fashion significant opportunities for growth in wealth and investment management over the coming years. In the US alone, an estimated US\$10trn or so in funds could flow into the investment management industry as baby boomers approach retirement (although in the longer term, of course, they will run down these savings to provide retirement income). This is

equivalent to about half the amount currently managed by the top five investment managers in the US.

Not only is the number of people nearing retirement starting to swell, but governments are also starting to push the responsibility for providing pensions back to individuals. As a result, the amount of money going into savings schemes in the private sector is likely to grow significantly.

The growing cost of healthcare is likely to have a similar effect. The more the state steps back from providing universal healthcare, the more individuals will be forced to take out insurance, in both developed and developing markets. In the US, for example, financial institutions in all sectors are exploring the potential impact of the expansion of Health Savings Accounts, investment vehicles which are designed to help individuals save for future qualified medical and retiree health expenses on a tax-free basis.

**Which of the following will be most responsible for driving growth at your organisation this year? Please choose and rank the top three from the following list.**

	Ranked 1	Ranked 2	Ranked 3
Economic growth	52%	17%	11%
Performance improvement	28%	15%	15%
Changing customer behaviour	7%	13%	35%
Innovation	6%	17%	13%
Demographics	1%	31%	12%
New technologies	1%	7%	10%

Source: PricewaterhouseCoopers/Economist Intelligence Unit survey, February-March 2005

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To take another example, China's central government now covers only 10% of the operating costs of urban hospitals there. The rest comes from patients drawing on savings to pay their bills and from rising levels of health insurance, opening up a fast-growing new area for insurers. The pay-off could be twofold: as insurance replaces bank savings as a means of covering the costs of healthcare, then a proportion of these savings can be directed into other forms of more sophisticated investment or into higher spending on consumer goods and the like.

The premium end of retail banking, where margins are greatest, will also benefit from more active wealth management on the part of individuals. As baby boomers help to swell the number of people in this category, so the business will grow. CIBC, the largest issuer of credit cards in Canada, has built a successful business around its 'Imperial Service' brand which is aimed at the country's growing population of mass affluent, for example.

European banks are also in good shape and ready to grow if the right conditions materialise. With their revenues rising faster than their costs, many have posted double-digit increases in operating income for 2004. As a result, says Standard & Poor's, a rating agency, the average

cost of generating revenues for Europe's 50 largest banks is close to a 10-year low. This bodes well for future profits if the economies in which they operate continue to expand and if the lurking threat of windfall taxes on hefty profits comes to nothing.

The pressure on banks to expand will intensify, especially for second-tier institutions in the US and Europe, says Jacques Rambosson, senior adviser on banking in the Paris office of PricewaterhouseCoopers. But the potential for explosive growth is most obvious in emerging markets.

Asia grabs most of the headlines: China is where survey respondents expect to see most growth this year, though the pace of expansion may be tempered by restrictions on the ground. Regulators there take the view that there are already enough national banks in the market and international banks are restricted at the moment to buying only minority stakes. So high hopes of growth may prove illusory, at least for the time being. Other growth markets, such as India, are also attracting keen interest, though similar constraints apply there too.

One area that is set to keep expanding in both markets is wealth management. As the middle class swells, Justin Ong of PricewaterhouseCoopers in Singapore expects

to see more acquisitions of companies in this sector in India, South Korea and China. Lending to consumers in these markets is also expected to pick up significantly.

As developing economies grow, demand for ordinary non-life insurance also tends to grow disproportionately faster. This is because insurance awareness and the rapid acquisition of new assets drives demand to protect both cash flow and lifestyle from unexpected events. China's non-life market grew at an average rate of 16% over the past five years against a backdrop of GDP growth of around half that level.

Other regions beyond Asia are also alluring. Take Mexico, a market that has been rocked by more than one crisis over the past couple of decades. After years in the doldrums, the banking market there has suddenly begun to grow again as the necessary ingredients – economic expansion, financial stability and a stronger regulatory framework – have fallen into place. The result was a 15% rise in corporate lending in 2004 and a 30% increase in the number of mortgages created. David Olivareas, an analyst with Moody's Investors Service, reckons that growth is starting from such a low base that lending could continue to expand at a similar rate for several years before credit worries began to surface.

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**Impediments to expansion**

Exciting though these growth opportunities are, taking advantage of them will not be easy. Look a little closer at the areas of highest potential and the challenges come into sharper focus.

In investment banking, for example, one of the industry's hottest growth areas is hedge funds. A new study by Credit Suisse First Boston, the first to gauge the extent of investment banks' links with hedge funds, estimates that the latter were responsible for US\$25bn in revenues for investment banks last year alone. Indeed, the study reckons that some banks are now making more from hedge funds than they are from fees on mergers and acquisitions.

Much of this money is going to prime brokers, the select group of investment banks that lend (both money and stock on margin) to hedge funds, execute their trades and generally hold their hands from day to day. Small wonder therefore that competition for this business continues to intensify, as the number of hedge funds swells (at the last count to more than 7,000 internationally). Because hedge funds are increasingly adept at playing one bank off against another, revenues from prime brokerage

What do you regard as the principal challenges that your organisation will face over the coming year in your key growth markets?

	Global	Americas	Asia	Europe
Levels of competition	71%	71%	73%	65%
Macroeconomic conditions	60%	64%	63%	57%
Compliance and regulatory requirements	58%	69%	52%	59%
Maturity of the market	41%	45%	32%	44%
Political risk	37%	33%	45%	31%

Source: PricewaterhouseCoopers/Economist Intelligence Unit survey, February-March 2005

are growing by only about 5%-7% a year, according to Sanford C. Bernstein. This is much less than the speed with which new money is going into hedge funds.

In all parts of financial services, levels of competition are cited by 71% of survey respondents as one of the principal challenges their organisation will face over the coming year in their key growth markets. As a result, many institutions remain resolutely focused on the question of costs and efficiencies. It is striking that performance improvement comes second in the hierarchy of drivers for growth identified by respondents to the survey, and that two-thirds of respondents rate cost efficiencies as either critical or very important in generating growth over the next 12 months.

Not far behind competition in the list of challenges come macroeconomic conditions. Granted, the world economy continues to expand at a good pace (though down from its recent high of 5%, the fastest rate of growth for more than 20 years). Yet the risks of a downturn are significant. The slide in the dollar could accelerate and become a rout, destabilising financial markets. Public- and private-sector balance sheets also remain a potential problem. And China could yet suffer a sharp slowdown if its attempts to engineer a gradual cooling of the economy fail.

Even if the wheels stay on, an appealingly high rate of growth in the world economy masks a huge diversity between individual countries and sectors. The hard pricing cycle is widely thought

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to have peaked in the property and casualty insurance sector, for example, and economic prospects in Western Europe remain lacklustre. Predictably perhaps, a significantly higher proportion of respondents in the Americas and Europe selects the maturity of the market as an obstacle to growth than those in Asia. But even in Asia there can be setbacks, as the sudden fall-off in the growth of bancassurance in China caused by a rise in interest rates has shown. In addition, political risk blips higher on the radar in Asia than in the other two regions.

**India: Credit where it's due**

Emerging markets often offer greater growth potential than developed markets but they also pose a different set of challenges. Take India, where the burgeoning middle class, especially the young, is rapidly becoming accustomed to credit and to replacing bank notes with plastic. 'People used to say 'save now buy later'. Now it's all about affordable indulgence,' says Chanda Kochhar, head of consumer banking at ICICI Bank, one of the country's largest banking groups.

'Until three or four years ago, the 25-30 age group of young working couples with no kids wasn't taking out loans. Now they are behaving differently from their parents and earlier age groups,' says Rajiv Jamkhedkar, head of Citibank's personal loans business in India. It is not just televisions, scooters and cars that such people are buying on credit. They are also borrowing to pay for such things as holidays, marriage celebrations (which couples sometimes help their parents to finance) and homes (as upwardly mobile couples break with tradition and move away from their parents).

All this is helping India's market for consumer finance to grow at an annual rate of 40%. Social change is not the only thing that is driving the market. There has been a rapid growth in incomes too: the number of households earning over Rs80,000 a year (US\$1,860 at current values) has risen by 20 million since 1996 to a current figure of 60 million.

Yet consumer loans worth US\$15 billion (excluding secured mortgages) still account for only 3.5%-4% of India's gross domestic product. Government-owned banks tend to lend only to existing retail customers, so those in the private sector, which market aggressively to new customers, account for most of the expansion. The market leader is ICICI, which offers consumer finance in 1,000 cities, up from as few as 15 as recently as 2000. This is followed by foreign banks such as Citibank, HSBC and Standard Chartered, which face no barriers to entering the market but which tend to focus on the large metropolitan areas where credit risks are lower.

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**India: Credit where it's due** continued

Despite recent growth, credit and debit cards still account for only about 0.6% of consumer spending. From three million credit cards in 1998, the market has grown to a combined total of 44 million credit and debit cards in 2004, worth around US\$23bn, according to a study by Visa International and India's National Council of Applied Economic Research.

Competition for market share is intense. Consumers are offered a range of inducements including interest rates on credit cards as low as 0.99% and free holidays as rewards for accumulated points. Standard Chartered has broken new ground with a card called Manhattan that offers 'lifestyle' packages, allowing users to redeem points against activities that range from a visit to an Indian vineyard or a spa to white water rafting and previews of films.

An impediment to growth in both consumer loans and cards is the lack of credit bureaux, identity cards or a social security system that would enable applicants' identities and creditworthiness to be checked. Understandably,

this makes most foreign banks concentrate on the safer end of the market. 'We currently focus on self-employed professionals and salaried individuals who make up 80% of our customers, so there is still a big untapped market among self-employed proprietors and small businesses,' says Citibank's Mr Jamkhedkar. A list of defaulters, started by MasterCard in the late 1990s, now covers all banks and cards. Rival banks are also beginning to co-operate more on defaults, partly through CIBIL, a credit bureau set up in 2000.

Another obstacle to growth is a resistance to the use of credit and debit cards by merchants such as shopkeepers, and from self-employed professionals like doctors. Even the owners of schools are reluctant to accept cards. Like others, they balk not just at the cost of merchant fees and card-processing equipment but also at anything that would involve them in having to add sales tax and so helping the authorities to track the flow of money. Government departments and public utilities are even more resistant to change because it would mean abandoning hand-written or typed files that provide employment for clerks.

The sheer volume of national and international regulations is also seen as a threat to growth, particularly in developed markets. Indeed, for the first time since it was launched a decade ago, concerns about regulation topped the 2005 'Banana Skins' survey by the Centre for the Study of Financial Innovation (CSFI) of the risks facing banks and financial services companies worldwide. The survey, which is sponsored by PricewaterhouseCoopers, found that regulatory overkill was in danger of draining resources, of undermining firms' efforts to diversify their risk and of creating a false sense of security.

The CSFI's conclusions are supported by the findings of our own survey. The majority of respondents ranked compliance and regulatory requirements as a principal challenge to growth (although they also acknowledged that regulations have created a fairer playing-field). More than half the respondents to our survey agreed that the impact of greater regulation was making it harder to achieve their targets for growth, and almost as many said that regulatory considerations were slowing the pace of their expansion overseas.

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Not only are regulators globally raising their expectations of what firms must do but the cost of not meeting these expectations is also increasing – and in a few cases, proving fatal. In particular, there is considerable unease about regulators moving the goalposts retrospectively and prohibiting activities or behaviour once regarded as acceptable practice. Firms are beginning to adopt a more holistic view of compliance and ethics management but many are struggling to embed processes that fully reflect this new thinking. Until they put these processes in place, regulatory compliance will continue to impact upon business growth.

Many institutions complain, for example, that the demands placed on them by Basel II and higher standards of financial reporting make it difficult to pursue new opportunities in Islamic banking (which forbids the notion of usury or interest). Toby Fiennes, manager for the Middle East and Europe of Britain's Financial Services Agency, pours cold water on such claims but he does concede that regulators need to be flexible. 'We need international standards for Islamic products and the Islamic Financial Services Board is trying to deliver these,' he recently told The Asian Banker summit in Singapore.

Nor can companies simply weigh up the pros and cons of a potential acquisition and go ahead on the basis of whether or not it makes business sense. These days, they need to consider other risks that could haunt them once a deal is done. According to Karen Loon of PricewaterhouseCoopers' Banking and Capital Markets Group in Singapore, 'due diligence needs increasingly to focus on non-financial areas which could affect the ability of a financial institution to close a deal and integrate an acquisition. Companies face a host of potential hazards which could affect their reputation, governance, human resources as well as risk and capital management.' Such risks go beyond dealmaking – the concept of 'know your counterparty' has risen up the agenda as institutions seek to manage the credit, reputational and other risks inherent in all financial transactions.

Many international banks are also grappling with the difficulties of complying with different regulatory regimes and requirements. What suits one market may fail to impress regulators elsewhere. In Asia in particular, there is a risk that regulators will impose new requirements on financial institutions faster than the institutions

can implement them. This could result in a patchwork of compliance programmes that takes up valuable amounts of management time.

**One way to reduce the burden is to adopt principles, not inflexible rules, and to devolve as much responsibility to the individual country managers as possible. More dialogue and a greater degree of co-operation between regulators will also be important, according to Jeremy Scott, Chairman of the Global Financial Services Team of PricewaterhouseCoopers.**

In this more watchful environment, firms must also grapple with the cultural challenge of encouraging greater entrepreneurialism and whetting risk appetites while maintaining proper internal controls. Three in every five respondents believe that entrepreneurialism is critical or very important to their organisation's growth targets this year. Almost as many agree that the focus on compliance and regulations is dampening the appetite for risk at their institutions.

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**Realism or wishful thinking?**

Given these constraints on expansion, how realistic are the expectations of growth at financial institutions? Although a majority of respondents to our survey believed that the targets being set by their organisations were realistic, a surprising number (31%) thought that their targets were optimistic (interestingly, fewer American respondents regarded their targets as such).

Most respondents are looking to organic growth to help propel their institutions towards their targets, doubtless on the assumption that an expanding world economy and demographic and social change will continue to underpin demand for financial services. Yet as we have seen, there are risks to this assumption; the chances that organic growth will deliver on the high expectations of all the surveyed institutions are remote indeed, especially in the more mature European markets. Furthermore, the entry of private equity firms into financial services may encourage large institutions to make acquisitions earlier than they might otherwise have done.

Acquisitions will undoubtedly continue to be a driver of expansion at many institutions: there will be further consolidation among America's domestic banks, for example, says Tim Ryan, leader of the US Financial Services Industry Practice of PricewaterhouseCoopers in New York, though probably at a slower pace than during the past few months. International banks are also queuing up to acquire bigger chunks, and control, of European banks. Although the value of mergers and acquisitions in Europe's financial services sector is still significantly below the peak of 2000, the number of deals in 2004 increased for the third year running.

Yet many firms have tried, and failed, in the past to create value by merging (for more on this topic, see our previous briefing **Focus on restructuring: The drivers shaping the financial services sector**). In Asia, companies could create a stronger position by participating in the consolidation which everyone agrees is long overdue but which has somehow failed to materialise. Several institutions are watching Korea, Taiwan and Thailand for signs that restructuring will give them opportunities to add volume in these markets.

Institutions will also turn to partnerships, alliances and outsourcing as growth strategies, but here too the risks and challenges are well-documented: finding the right partner, aligning incentives properly and monitoring the performance of relationships are all demanding tasks, particularly in complex markets in parts of Asia. Firms often have to choose between quick wins which will leave them open to challenges from the political establishment or building the trust of partners which may bring bigger rewards over time. Either way, delivering on the agenda for growth is no cakewalk.

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The survey shows that firms are ruling out nothing when it comes to identifying where the growth is most likely to come from. Over a third of respondents to our survey expected new geographical markets to be their primary sources of growth, and more than half (53% and 60% respectively) thought that attracting new customers and launching new products would be the main engines of expansion. But whether branching out into new areas or consolidating positions of strength, the firms that will successfully deliver on their growth targets will share a number of attributes.

## Be prepared

The first is proper planning. The survey evidenced poor planning of growth strategies at a number of institutions. A sizeable minority of respondents, the overwhelming majority of them at smaller institutions, admitted to using no formal model for measuring the risks and possible outcomes of various strategies for growth. Curiously, too, a surprising number of those questioned said they did not quantify the likely financial outcomes of growth strategies.

At leading institutions, by contrast, the accent is on striking the right balance between risk and reward. In Canada, CIBC has taken steps to tilt its business more towards its retail operations, which now account for 72% of its economic capital. Having been stung by the fallout from Enron, among others, it is keen not to expose itself in future to the possibility of large losses from wholesale lending. For this reason, says Tom Woods, the bank's chief financial

officer, CIBC is in no hurry to expand either geographically or into new sectors. Any expansion in investment banking, for instance, would have to reinforce specific business lines.

In the investment management sector, the expected influx of money and assets into the private sector is likely to create a greater degree of specialism and more alliances within the industry, says Simon Jeffreys, the leader of PricewaterhouseCoopers' worldwide practice in investment management. Firms that lack expertise in, say, real estate investment may team up with one that does, and investment managers will become more willing to outsource those functions that are neither crucial to their business nor add any value to the proposition they make to customers.

In the insurance sector, too, following a raft of new regulations as well as changes to the way insurance companies report, most insurers are also taking a more systematic approach to

risk and the allocation of capital than they did, say, five years ago. Paul Horgan, leader of PricewaterhouseCoopers US Insurance Advisory Practice, says that insurers are gradually beginning to integrate techniques such as enterprise-wide risk management into their businesses. This is expected to promote a better understanding of the trade-off between risk and reward and therefore of the speed with which they can grow. The more sophisticated such models become and the more that regulators allow their use in allocating capital, the faster insurers are likely to be able to grow.

## Customers come first

Assuming that a realistic growth strategy is in place, what are the enablers that will help organisations to act on it? Perhaps the biggest challenge for financial services organisations, particularly those in mature markets, is delivering a good enough level of service to satisfy customers, be they wholesale or retail.

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Even in developed markets in Europe, customers are still getting poor service. Until the standard improves across a range of channels, from call centres to physical branches, many firms will continue to see customers desert them for competitors, says Robert Bark, a partner in the Amsterdam office of PricewaterhouseCoopers.

Survey respondents are under no illusion that their capability to service customers, as well as sales and marketing skills, will be among the most important ingredients in delivering growth in the future. Asked to identify which enablers of growth will be most important over the next 12 months, these capabilities rank top. Human resources, whose most important facets include

the quality of customer-facing staff, comes next, while brand, reputation and customer satisfaction rank third.

John Simke, the leader of financial services at PricewaterhouseCoopers' Toronto office, says that retail banks in North America are stepping up their efforts to segment their customers.

### Martin Currie: The benefits of being small

For a company that is relaxed about the speed at which it grows, Edinburgh-based Martin Currie Investment Management is not doing too badly. During the past couple of years, the firm has doubled its assets under management, to US\$16bn. In 2004 alone, it closed four of its funds concentrating on Asia to new investors for fear that they would become too big and their investment performance might suffer.

Martin Currie sets itself apart from its competitors in several ways. For starters, the firm is owned by its directors and staff. Second, unlike some of its rivals in Edinburgh, it is not afraid to diversify into fast-growing areas like hedge funds aimed at institutional clients. Third, it likes to think of itself as a

'big boutique'. According to Willie Watt, the company's chief executive, this means being big enough to have the solidity and professionalism of a large company, while having the distinctiveness and client focus of a small one.

With around 220 employees, Mr Watt likens Martin Currie to a large village: 'If they don't know everybody's names, most people in the company will at least know what everybody does and how they fit in,' he says.

But how big is too big? Many of the firm's investment funds focus on stocks with a middle-sized capitalisation. So there is a limit to how much of a company's shares an investor can own while retaining the flexibility to buy and sell a position freely. This tends to limit the size of some of its funds.

Though it covers the world and has offices in three continents, the company is also careful not to offer too many products. Whereas a big international investment manager may have as many as 25 areas, Martin Currie focuses on about half a dozen specialist products for its clients.

Culture, as one would expect, is important in a firm of Martin Currie's size. As a big boutique, it is small enough to have a flat management structure yet large enough to cope with the increasing complexities required of an asset manager with international mandates running into billions of dollars.

Were the company to reach the point where it was no longer confident of delivering the investment performance its clients expect, it would think hard about the future. 'We are not scared of coming to a point where we may decide we are not going to grow,' says Mr Watt.

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Given your expected sources of growth this year, which of the following enablers of growth will be most important to your organisation over the next 12 months? (respondents rating each option as critical)

Sales, marketing and customer service capabilities	42%
Human resources	36%
Brand, reputation and customer satisfaction	35%
IT/technology enablers	23%
Cost-efficiency	23%
Entrepreneurialism and risk appetite	21%
Innovation	20%
Negotiating and integrating acquisitions	10%

Source: PricewaterhouseCoopers/Economist Intelligence Unit survey, February-March 2005

Being able to identify customers with a higher net worth and doing a better job to keep them and expand the amount of business done with them is critical. Many retail banks are also thinking harder about ways to integrate their systems to enable them to respond more quickly to marketing opportunities and to be on target when they do so. Speed to market and speed in reacting to feedback from the market are both vital – something that retailers in other industries, such as fashion and music, have long known.

An example is LaSalle Bank, the second-largest in Chicago and a subsidiary of ABN AMRO. Under the direction of David Rudis, president

of the bank's personal financial services group, LaSalle has re-cast its approach to personal banking, which covers all retail consumers and small businesses, as well as wealth management for the mass affluent. Gone are the days of 'pushing product', says Mr Rudis; in its place is a new emphasis on satisfying the customer.

In Mr Rudis's book, this means encouraging the customer to believe that he or she 'owns' the bank and can therefore get it to provide the kinds of services that are required. To achieve this, LaSalle started more or less from scratch, simplifying every step of a customer relationship so that the bank responds more quickly and efficiently to what a customer wants and, in the

process, squeezes costs out of the system. For example, if you simplify the ways in which a customer can open an account, you attract more customers, while saving on things like training.

Mr Rudis even took the bold step of delaying a revamp of the system which manages the bank's relationships with its customers for fear of 'petrifying' the old inefficiencies. Steps to improve the CRM system have since re-started now that the wider re-organisation is complete. Mr Rudis believes LaSalle could gain some market share and some of the growth in coming months is likely to be organic. For example, he reckons that, so far, the bank has only 'scratched the surface' when it comes to lending to small businesses.

What works in one country will not necessarily work in another, of course. Simply transferring customer-facing techniques that have been tried in the West to emerging markets is rarely straightforward.

The distribution of non-life insurance products in China through direct sales over the telephone and the Internet is one example. China's consumers are certainly price-conscious enough and the market is poorly segmented when it comes to price. Yet the limited awareness of such an approach among consumers,

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weaknesses in payment systems and limited credit-card use, which restrict efficient premium collection, and regulatory hurdles have so far prevented firms from exploiting the market. In time, however, it is likely to take off, says David Campbell, Asia-Pacific Insurance Leader for PricewaterhouseCoopers, at which point the

limited number of companies around the world who have perfected this technique in other markets (such as Directline in the UK) will be able to establish a position and secure sustainable growth provided they can adapt their business models to local culture and consumer preferences.

**Employees come close behind**

People remain critical in underpinning successful growth strategies. Asked to identify the biggest challenges associated with the shift from focusing on value to focusing on growth, respondents plump first for finding the right

**ING Direct to the customer**

Banks in particular are aware that they have been losing too many customers by the back door, either to better offers from competitors or through poor standards of service, and that holding on to these customers for longer, while selling them additional products or services, would boost the bottom line. One firm to buck the trend is ING Direct, a part of the Netherlands-headquartered ING Group.

From a standing start in 1999, the bank has built up a business that now spans eight operating units in nine countries and that, in 2003, made pre-tax profits of €151m. ING Direct has done this by having no branches and by using precisely the same IT blueprint in every market, thereby keeping costs and complexity low. In each new market, it offers only one product to start with – a high-interest savings account.

Though 40% of new accounts are opened over the Internet and 70% of transactions thereafter are automated, ING Direct does not think of itself as an Internet bank. Customers are free to choose how they want to deal with it: by post, over the telephone or via the Internet.

The results are impressive. During its first nine months, the UK business, the latest to be launched, attracted no fewer than 380,000 customers and €14.6bn in new funds, all of it to savings accounts. At the end of last year, seven out of the company's eight operations were profitable and the bulk of these profits came from the savings product alone.

'We don't need to cross-sell more than one product to our customers in order to become profitable,' says Dailah Nihot, a spokesperson for ING Direct. 'A savings product alone is enough for each business to break even.' This is partly because the company says that,

at 45 basis points (hundredths of a percentage point), its ratio of costs to assets is a fifth of that of banks with a network of branches.

Ms Nihot is coy about the company's targets for the future, saying only that the bank expects growth to continue in the coming years. As a counterweight to the deposits placed with it, ING Direct has already begun to offer mortgages in six of the countries in which it operates. At the last count these amounted to nearly €30bn, of which €9.5bn was issued last year alone.

What is clear is that a combination of convenience, strong branding, low fees and generous terms for savers has produced an international business whose growth shows no signs of slowing. The question now is: will this model also catch on in Asian markets with deregulated interest rates where savings rates are high and where internet usage is spreading fast? Or will cultural and regulatory barriers make it difficult to replicate?

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people to deliver growth and, second, for changing the culture of their organisation to one that was more entrepreneurial.

Forward-thinking firms are beginning to think differently about people – asking not how they can prune more costs but whether they should be investing more in their people, and particularly their client-facing staff, in order to get a better return. One such firm is AXA, a big international insurer which recently acquired MONY in America. Claude Brunet, the company's director of communication and human resources, has led efforts to re-engineer the way AXA deals with its customers.

At their heart is a decision to give staff the tools to improve the company's systems and the way it goes about its business. This means devolving decisions where possible and streamlining processes, using techniques drawn from industry. Staff are also encouraged to come up with ways of simplifying procedures which reduce the time it takes to produce quotes. In Germany, for instance, where many insurance policies are renewed at the same time each year, a key factor for customers is the time taken to receive quotes. By reviewing the way it produces quotations, AXA Germany was able to cut the time it takes to respond, and this has had a direct impact on its ability to win and retain business.

**In your view, what are the greatest management challenges associated with shifting from a focus on managing for value to a focus on growth? Please choose the top two.**

Finding the right staff to deliver growth	42%
Changing the culture of the organisation to become more entrepreneurial	40%
Maintaining financial controls while gearing up for expansion	29%
Acquiring a better understanding of the marketplace in order to spot and exploit opportunities	24%
Motivating staff to deliver growth safely	20%
Winning board support for growth initiatives	14%
Recalibrating the organisation's risk appetite	14%
Winning shareholder support for longer-term growth initiatives	12%

Source: PricewaterhouseCoopers/Economist Intelligence Unit survey, February-March 2005

By bringing IT under a single company, AXA Tech, and by negotiating global contracts with suppliers, AXA has also been able to reduce the cost of managing its infrastructure worldwide from E800m three years ago to E650m today. Specialised procurement has also enabled the group to make savings not just in IT but in services and in insurance expenses too.

And there are more improvements to come, says Mr Brunet. On a scale of one to ten, he reckons the firm is still only at four. AXA is already seeing benefits from the new approach. Its underlying earnings for the year to the end of December were up by 34% to E2.7bn. This was

due to strong gains across the board, in life assurance and savings, property and casualty, and international insurance.

Mr Brunet stresses that the 'path towards profitable growth' that his chairman, Henri de Castries, referred to when announcing the results is based not on 'aggressive price cutting' but on getting each business to respond to what customers want. 'Of course, we will be careful on price but it is also a question of working on customers' needs and innovating in ways that will create a real engine for growth,' he says.

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**Barclaycard: The CRM advantage**

As Barclaycard has found, one way of getting closer to your customers is to use smarter and more responsive technology. When the firm lost its spot as the only issuer of VISA cards in the UK, many commentators voiced doubts that the bank would remain competitive, let alone dominant, in the face of new rivals, many of them from America's cut-throat market for credit cards and equipped with the latest CRM technology. They should not have worried. Today, Barclaycard is one of Europe's largest credit-card brands with more than 11m customers.

The company has achieved this by arming itself with the latest tools to manage its customer relationships. Not only did Barclays Consumer Finance group (an amalgam of Barclaycard with the bank's personal lending businesses) reverse the initial downward trend in its business when the competition arrived; from 2000 to 2004, it managed to increase its profits at a compound annual rate of 15%. Now life without CRM would be unthinkable.

'I'd rather turn off some day-to-day production processes than our (CRM) applications,' says Keith Coulter, chief operating officer of Barclays Consumer Finance. 'CRM has become a cornerstone of how we drive business. Without it I would never get the feedback to change what we do on the frontline.'

Mr Coulter is convinced that data gathered in this way is the main reason for the increase in the rate of growth. The company has records on more than a quarter of all adult consumers in Britain – information which is backed by details gathered from Barclays' current accounts, credit bureaux and other sources.

The trick is to turn this stockpile of data into useful intelligence. Barclays uses a CRM system based on software developed by the SAS Institute. 'Most of what we see in current customer behaviour can be explained by their past behaviour,' says Mr Coulter. As Adrian Jones, Barclaycard's manager of business information systems, explains, each time an individual uses a credit card his or her behaviour is monitored, as is the impact that Barclays' actions have on that individual.

As well as when and how customers pay their bills, Barclaycard claims to know the current and potential credit risk of each account – even how often, and at what cost, individuals contact Barclaycard's call centres. Using this knowledge, the company sets out to increase its 'share of wallet' by cross-selling other products and services to its customer base.

Barclaycard uses its system to home in on the profitability of individual customers as well as to review credit risk, income opportunities and operating costs. Everything to do with its business – from fact-finding to communications and decision-making – is taken down to the level of the individual customer. Mr Coulter says that the company used to carry out limited direct mail activity, for example, but under the new strategy, it now conducts lots of small-scale test campaigns.

Because Barclaycard knows the profitability of every account over the past two years, it can focus its efforts on retaining its most valuable customers. This has resulted in a significant

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### Barclaycard: The CRM advantage continued

reduction in the number of customers lost. As importantly, the intelligence it holds also enables Barclaycard to take action to turn unprofitable customers into profitable ones by increasing the value of the business it does with them.

The CRM system also helps Barclaycard to find new customers. The company has developed a prospect file containing all UK adult households. It overlays anonymous information gleaned from a credit bureau with its own contact history, developing a database on around 30% of the population. Using its SAS CRM software, Barclaycard then scores potential customers, identifying the best candidates and what kinds of offers might appeal to them. In 2003, its first full year using the new software, the company attracted more than 4% of UK households as customers. 'The prospect file delivered a return on our investment within six months; it then gave us our best year ever for new account recruitment,' says Mr Jones.

### No one said it was easy

Mr Brunet's reference to innovation is revealing, if only because we found little evidence in the survey that institutions have explicitly grasped its importance. Of the growth enablers that respondents were asked to rank in order of importance, only negotiating and integrating acquisitions came lower than innovation. And asked to assess their own capabilities with regard to each enabler, respondents ranked innovation bottom of the pile.

It may be that respondents are simply conceiving innovation in narrow terms. Innovation is not only about new products and services but also about new ways of marketing, of organising, of distributing, and so on. From Barclaycard's use of CRM systems to ING Direct's virtual business model, the institutions that achieve the highest growth are the ones that are prepared to think and act differently. The fact that even established companies such as ING and CIBC – through its alliance with Aeroplan, Canada's leading frequent-flyer programme – have had such an impact in developed markets by doing something quite different and supporting their activities with clever marketing

shows the potential of innovation. At the same time, new business models and the application of leading-edge capabilities will always need to be adapted to local environments – to the state of market readiness and to the availability of appropriately skilled people.

To build and sustain a growing business in financial services, institutions need a combination of vision and pragmatism. They must have the courage to expand but clearly define the perimeters of sustainable growth. They must grasp opportunities but have a sophisticated appreciation of the risks involved in establishing a new venture. They must encourage entrepreneurialism but focus on areas of existing excellence. And they must be able to identify areas of high potential but also choose a market niche, a means of distribution or some other differentiator which insulates them from the competition. □

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The Economist Intelligence Unit and PricewaterhouseCoopers conducted a special online survey of senior executives in financial institutions on the subject of growth. Executives from 201 institutions in Asia, Europe and North America participated in the survey, which was conducted during February and March 2005.

Our thanks are due to all those who participated for sharing their insights with us.

Please note that totals do not always add up to 100 because of rounding, or because respondents could choose more than one answer.

**Section 1: Growth plans and strategy**

1. How have priorities at your organisation shifted over the past 12 months? Please indicate whether each of the following is a higher priority, lower priority or the same priority this year as it was 12 months ago.

	Higher priority	Same priority	Lower priority
Managing for growth	65%	30%	6%
Managing for value	43%	54%	4%
Governance and risk management	55%	44%	2%
Other (please specify)	33%	50%	17%

2. What are the primary metrics used by your organisation to measure growth? Please rank the top three from the following list.

	Ranked 1	Ranked 2	Ranked 3
Revenue	48%	20%	11%
Operating income	22%	37%	16%
Assets under management	13%	10%	30%
Total shareholder return	8%	6%	11%
Market share	3%	13%	15%
Share price	2%	3%	3%
Number of customers	1%	3%	5%
Average revenue per customer	0%	4%	5%
Other (please specify)	2%	2%	1%

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3. For each of the metrics you have identified in the preceding question, what % growth rate is your organisation anticipating over the coming year?

	No growth	0-5%	6-10%	11-15%	16-20%	20%+	Don't know
Revenue	2%	12%	21%	23%	19%	19%	3%
Operating income	1%	12%	23%	22%	16%	20%	5%
Assets under management	4%	11%	20%	15%	13%	22%	15%
Total shareholder return	3%	7%	25%	21%	15%	9%	21%
Market share	6%	43%	22%	6%	6%	6%	12%
Share price	4%	12%	20%	13%	12%	5%	36%
Number of customers	6%	20%	22%	15%	13%	9%	16%
Average revenue per customer	4%	21%	25%	15%	11%	5%	19%
Other (please specify)	3%	6%	11%	14%	11%	3%	51%

4. In general, how realistic do you think your organisation's growth targets are?

Very conservative	1%
Conservative	9%
Realistic	58%
Optimistic	31%
Very optimistic	1%

5. In what level of detail does your organisation seek to identify and understand the specific risks and likely financial outcomes associated with particular growth strategies? Please choose one answer.

We perform a qualitative assessment of risks and likely financial outcomes	40%
We perform a full quantitative assessment of risks and likely financial outcomes	36%
We quantify risks but do not seek to quantify likely financial outcomes	14%
We do not formally seek to identify risks and financial outcomes	9%
Other (please specify)	1%

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6. Does your organisation model the risks and financial outcomes of various growth strategies, and if so, which of the following modelling techniques does it adopt? Please check as many as apply.

Scenario analysis (i.e., alternative views of the world)	50%
Decision analysis (i.e., impact of range of alternative decisions)	37%
Sensitivity analysis (i.e., stress-testing)	34%
Probabilistic modelling (i.e., applying probabilities to risks and outcomes)	27%
We do not model the risks and financial outcomes of growth strategies	17%
Deterministic analysis (i.e., single view of the world)	9%
Other (please specify)	2%

7. To what extent are the financial capital and funding plans of your organisation considered and linked to your strategic growth plans?

They are considered concurrently	43%
Our capital and funding situation is considered first and this sets the framework for our growth planning	22%
Our growth strategies are drawn up first and our capital and funding needs are assessed later	22%
They are considered separately	12%
Other (please specify)	1%

8. Which of the following will be most responsible for driving growth at your organisation this year? Please choose and rank the top three from the following list.

	Ranked 1	Ranked 2	Ranked 3
Economic growth	52%	17%	11%
Performance improvement	28%	15%	15%
Changing customer behaviour	7%	13%	35%
Innovation	6%	17%	13%
Demographics	1%	31%	12%
New technologies	1%	7%	10%
Other (please specify)	3%	0%	2%

9. Which of these strategies will your organisation use to achieve its growth targets this year? Please check as many as apply.

Organic growth	89%
Alliances and joint ventures	40%
M&A	28%
Outsourcing	27%
Corporate venturing	6%
Other	3%

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10. What does your organisation expect to be its primary sources of growth this year? Select either A or B from each of the following pairs of answers.

	A	B
A. New geographies / B. Existing geographies	35%	65%
A. Penetration of new customer segments / B. Cross-selling or Up-selling to existing customers	54%	46%
A. New channels to market / B. Existing channels to market	46%	54%
A. New products/services / B. Existing products/services	60%	40%

11. In which of the following regions do you expect to see most growth over the coming year? Please choose one region only.

Greater China	31%
Central and Eastern Europe	15%
Western Europe	14%
North America	12%
South and South-East Asia	11%
Australasia	5%
North Asia (Japan, Korea)	5%
South America	3%
Other (please specify)	3%

12. What do you regard as the principal challenges that your organisation will face over the coming year in your key growth markets? Please choose the top five.

Levels of competition	71%
Macroeconomic conditions	60%
Compliance and regulatory requirements	58%
Maturity of the market	41%
Political risk	37%
Nature of existing products and services	36%
Customer behaviour	33%
Lack of skilled resources	31%
Low or inappropriate brand profile in target markets	18%
Differing standards of governance in target markets	16%
Foreign ownership, taxation and capital repatriation rules	15%
Shortage of appropriate acquisitions or partners	12%
Long payback horizons	10%
Lack of understanding of local cultures/languages	7%
Other (please specify)	2%

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**13. Do you agree or disagree with the following statements about regulation?**

	Agree	Disagree
The impact of greater regulation is hurting our ability to achieve our growth targets	55%	45%
Regulatory considerations are slowing the pace of our international expansion	54%	46%
Regulations have created a fairer playing-field for institutions to reach their growth targets	51%	49%
Compliance with Sarbanes-Oxley and similar legislation is distracting management from pursuing a growth agenda	54%	46%
Concerns over compliance and internal controls is dampening risk appetite and stifling our growth potential	58%	41%

**Section 2: Enablers of growth**

**14. Given your expected sources of growth this year, which of the following enablers of growth will be most important to your organisation over the next 12 months? Please rate between 1 and 5, 1 being critical and 5 being unimportant.**

	1	2	3	4	5
Sales, marketing and customer service capabilities	42%	40%	12%	5%	2%
Human resources	36%	40%	16%	6%	3%
Brand, reputation and customer satisfaction	35%	41%	18%	4%	2%
IT/technology enablers	23%	33%	27%	10%	6%
Cost-efficiency	23%	44%	23%	10%	2%
Entrepreneurialism and risk appetite	21%	40%	29%	9%	2%
Innovation	20%	38%	30%	9%	3%
Negotiating and integrating acquisitions	10%	19%	35%	23%	14%

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15. How do you rate your organisation's capabilities with regard to each of the following growth enablers? Please rate between 1 and 5, 1 being extremely good and 5 being extremely poor.

	1	2	3	4	5
Brand, reputation and customer satisfaction	12%	47%	31%	9%	2%
Cost-efficiency	10%	37%	35%	15%	4%
Entrepreneurialism and risk appetite	8%	26%	46%	16%	4%
IT/technology enablers	7%	32%	39%	20%	2%
Human resources	7%	39%	38%	13%	4%
Sales, marketing and customer service enablers	6%	38%	47%	9%	1%
Negotiating and integrating acquisitions	5%	25%	40%	20%	10%
Innovation	5%	31%	44%	18%	3%

16. Which of the following IT/technology enablers are most important to realising your organisation's growth objectives? Please choose the top two.

Electronic distribution channels (i.e., Internet, mobile phones, digital TV, etc.)	46%
CRM capabilities	32%
Corporate performance management applications	30%
Systems integration capabilities	28%
Networking/communications systems	26%
Dynamic pricing capabilities	18%
Mass customisation capabilities	8%
IT enablers are not important to our growth plans	6%
Other (please specify)	0%

17. Which of the following HR-related enablers are most important to realising your organisation's growth objectives? Please choose the top two.

Quality of management	45%
Retention and recruitment of talented employees	44%
Properly resourced and scaleable front-office/sales workforce	30%
Effective performance-based compensation and incentives	25%
Quality of workforce's customer-facing skills	19%
Properly resourced and scaleable back-office workforce	13%
Culture of entrepreneurialism	13%
Ability to integrate new people/cultures	7%
HR enablers are not important to our growth plans	1%
Other (please specify)	0%

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18. Which of the following customer- and brand-related enablers are most important to realising your organisation's growth objectives? Please choose the top two.

Positioning as a local brand in target markets	35%
High satisfaction levels among existing customers	35%
High levels of customer referrals and recommendations	28%
Existing penetration of high-potential customer segments	23%
Positioning as a global brand	22%
Extensibility of the brand into new product/services areas	20%
High levels of customer trust	19%
High levels of customer loyalty	17%
Customer- and brand-related enablers are not important to our growth plans	0%
Other (please specify)	1%

19. Which of the following sales, marketing and customer service enablers are most important to realising your organisation's growth objectives? Please choose the top two.

High-quality customer-facing staff with understanding of local customers	51%
High-quality, real-time data on customer history and behaviour	35%
Personalisation of sales, marketing and customer service	30%
Properly resourced and scaleable sales function	29%
Quality of after-sales service	28%
Scaleable distribution channels	18%
Sales, marketing and customer service enablers are not important to our growth plans	3%
Other (please specify)	0%

20. Which of the following innovation-related enablers are most important to realising your organisation's growth objectives? Please choose the top two.

Speed of turning new ideas into actual products/services/business models	58%
Ability accurately to identify emergent market needs	44%
Management backing for launch of new products, services and business models	29%
Culture of entrepreneurialism	25%
Understanding of regulatory and risk implications of innovation	23%
Decentralised management structures	15%
Innovation-related enablers are not important to our growth plans	2%
Other (please specify)	0%

21. In your view, what are the greatest management challenges associated with shifting from a focus on managing for value to a focus on growth? Please choose the top two.

Finding the right staff to deliver growth	42%
Changing the culture of the organisation to become more entrepreneurial	40%
Maintaining financial controls while gearing up for expansion	29%
Acquiring a better understanding of the marketplace in order to spot and exploit opportunities	24%
Motivating staff to deliver growth safely	20%
Winning board support for growth initiatives	14%
Recalibrating the organisation's risk appetite	14%
Winning shareholder support for longer-term growth initiatives	12%
Other (please specify)	1%

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**Section 3: About you****22. In which region are you based?**

Europe	37%
Asia-Pacific	36%
Americas	21%
Sub-Saharan Africa	2%
Middle East/North Africa	1%
Other	2%

**23. What is your title?**

Senior management	53%
Line manager	20%
Board member (executive director)	16%
Board member (non-executive director)	1%
Other	11%

**24. What are your main functional roles?  
Please check as many as apply.**

Strategy/planning	46%
Finance	39%
Marketing and communications	31%
Risk management	25%
Operations	18%
Investor relations	8%
Human resources	4%
Internal audit	3%
Legal	1%
Other	10%

**25. What area of financial services do you personally work in? Please check as many areas as apply.**

Investment management	25%
Investment banking	23%
Corporate banking	20%
Retail banking	19%
Capital markets	17%
Non-life insurance	14%
Private banking	13%
Private equity	12%
Life insurance	9%
Outsourcing services provision	6%
Re-insurance	3%
Other	10%

**26. What was your organisation's total global annual income, in US dollars, in 2004?**

Less than US\$500m	44%
US\$500m-US\$1bn	15%
US\$1bn-US\$3bn	15%
US\$3bn-US\$8bn	10%
Over US\$8bn	17%

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