

# *fs viewpoint*

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May 2012

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***Ending the Endless  
Reorganization:***  
Building an Adaptable  
Operating Model

**pwc**

## *Point of view*



***Too often we see financial institutions shift their business strategies but fail to adapt their operating models. The result? Risk soars, performance stalls—and competitors pounce.***

When financial institutions fail to adapt their operating models as their business strategies shift, they often struggle to remain competitive as they attempt to take action across key areas that are shaping today's CEO agenda—restructuring, regulatory reform, globalization, and changing consumer demands. Many financial institutions attempt to adapt their operating models, but believe that they are always playing catch-up—once a major reorganization is completed, the strategy has shifted and another overhaul is needed.

**64%**

*of respondents working for financial institutions have undergone a review and redesign of their organization in the last 12 months.<sup>2</sup>*

This tendency to underestimate the need to adapt was discussed in the FS Viewpoint entitled *Risky Business: Why Managing the Risks of Evolving Business Models Is the Key to Avoiding the Next Financial Crisis*:

Humans tend to recognize dramatic changes and take the actions necessary to escape danger. However, we are not as quick to identify and act on risks associated with subtle, incremental changes that occur over time.

Consider, for example, a well-known analogy: If a frog is thrown into a pot of boiling water, it will jump out. However, place a frog in water that is at room temperature and raise the temperature one degree per hour until it reaches the boiling point, and the frog will likely stay in the pot, oblivious to the danger until it is too late.<sup>1</sup>

This publication will discuss key change drivers in more detail and highlight the operating model implications of each scenario.

1 "Risky Business: Why Managing the Risks of Evolving Business Models Is the Key to Avoiding the Next Financial Crisis," January 2011, [www.pwc.com/fsi](http://www.pwc.com/fsi).

2 PwC analysis based on webinar survey results. "How Financial Services companies can execute the right people strategy," December 13, 2011.

*We have observed our clients wrestling with multiple business issues as they navigate market, regulatory, and financial changes.*

Changes impact financial institutions' operating models in different ways. This is in part due to the pace at which changes typically occur and the degree to which they are linked with business strategy.

| Key change drivers      |  |   |
|-------------------------|--|---|
| Rapid change<br>↑       | <b>Restructuring</b>                         | In a survey conducted at PwC's global mergers and acquisitions (M&A) conference in 2011, 75% of financial institution CEOs indicated they were planning to restructure their organizations over the next 12 months. <sup>1</sup> While restructuring—which includes M&A, divestitures, initial public offerings (IPOs), and consolidation—can help to boost shareholder value and competitiveness, we observe that many organizations do not understand what changes to their operating models are required for a successful restructuring. |
|                         | <b>Responding to regulatory reform</b>       | Regulation has significantly influenced financial institutions' need to change their strategies, and 73% of financial institution CEOs are “extremely” or “somewhat” concerned that over-regulation will threaten their business growth prospects. <sup>2</sup>   |
| Incremental change<br>↓ | <b>Implementing globalization strategies</b> | According to PwC's annual global survey of CEOs, more than half of financial institution CEOs strongly agree that emerging markets are more important than developed markets to their organizations' futures. <sup>3</sup> This is a key reason why many institutions have changed their company strategies in the past two years.  |
|                         | <b>Meeting changing customer demands</b>     | The traditional financial services operating model is structured around internal product groups and geographies. Tension between groups has grown as they work out conflicting approaches to address the needs of increasingly global customers. Many institutions are also modifying their operating models to promote innovation and develop more customized, relationship-based products.  |

1 PwC, “Sharing Deal insight: European Financial Services M&A news and views,” August 2011.

2 PwC, 15th Annual Global CEO Survey, 2012.

3 Ibid.



## *How do institutions assess and reshape their operating models to support their long-term business strategies?*

An operating model bridges the gap between an organization's business strategy and its operational resources.

It plays an integral part in the organization's tactical plan to achieve its strategic goals. As financial institutions assess the ability of their operating models to support their business strategies, a number of questions should be considered to guide the effort. The answers to the below questions will help create a shared understanding of the financial institution's goals and how it should build its operating model to achieve them.



### **Key questions**

#### **Organization strategy:**

- What is your go-to-market strategy?
- To what extent should governance and decision rights occur at the global or regional level?
- To what extent do the organization principles center around product, geography, customer, or function?

#### **Organization capabilities:**

- How important is it to develop experts across products, geographies, customers, or functions?
- What are the required organization capabilities, and what is your talent sourcing strategy to fill critical gaps (such as build, buy, or rent)?
- What is the degree of emphasis on product innovation?

#### **Business performance objectives:**

- To what degree is the overall organization strategy focused on profitability vs. growth?
- To what degree is cost containment/reduction a priority?
- To what degree is operational excellence emphasized as a competitive advantage?

#### **Culture and management practices:**

- To what degree do you empower employees to make decisions?
- To what degree is the organization culture consistent throughout the organization?
- Where are there inconsistencies in management practices that should be addressed?

## Restructuring

**Market and regulatory conditions are driving financial institutions to restructure, and mergers and acquisitions are on the rise. In our view, many institutions underestimate the work involved in making restructurings successful.**

### Restructuring is on the upswing—but will financial institutions be able to make it work?

In our experience, banks with less than \$200 billion in assets find it difficult to thrive or even survive in today's environment. They often lack critical size, adequate capital ratios, and sufficient deposits. As a result, we expect to see more M&As and consolidation in coming years.

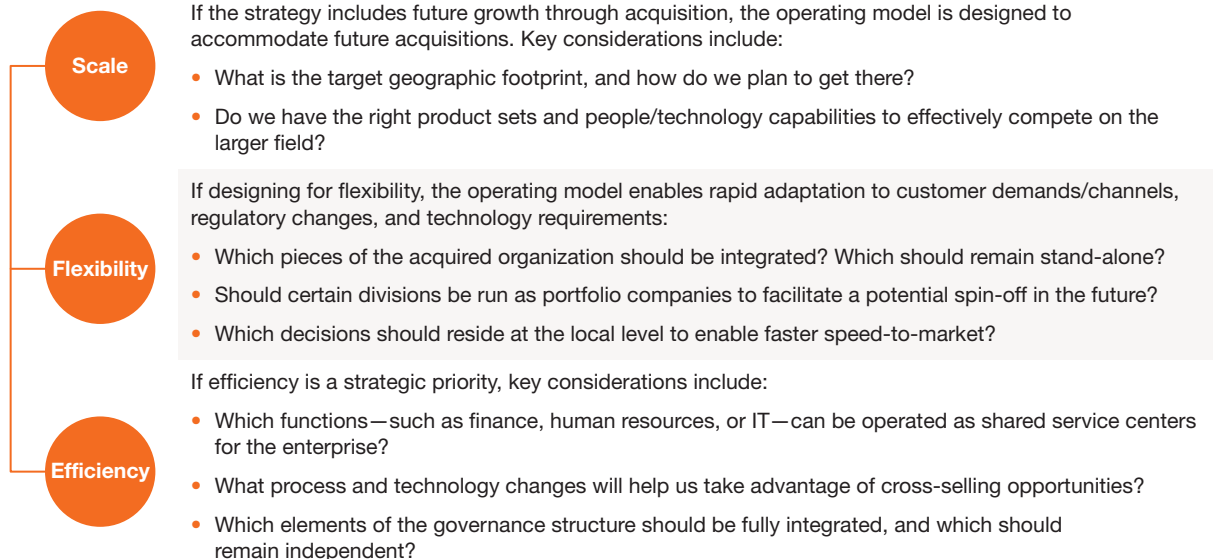
### What are the strategic business objectives?

In our experience, successful financial institutions have designed their operating models based on their long-term M&A objectives.

### Many underestimate the operational changes necessary.

According to PwC's 2011 M&A Integration Survey, the three most common integration challenges reported by deal makers were:

- Integrating information systems.
- Establishing the right organization model, people management, and work processes.
- Aligning operating procedures and business processes with new strategic and operational priorities.<sup>1</sup>



<sup>1</sup> PwC, "Do the right things. Get the right results. Findings from PwC's 2011 M&A Integration Survey," p.10, [www.pwc.com/us](http://www.pwc.com/us).

## Restructuring

***At the other end of the spectrum, institutions are spinning off businesses or launching IPOs to raise capital and improve their valuations and debt-to-equity ratios.***

### Moving out of the nest

The financial services industry led IPO activity in the US in 2010, with 34 deals valued at \$5.3 billion and contributing to 20% of total IPO volume.<sup>1</sup> Others have found that “bigger isn’t always better” and have decided to divest certain business units in order to create more nimble organizations, recapitalize balance sheets, or change their perception on the street. In the broker-dealer space, the Volcker Rule will force many companies to divest business lines that invest in private equity and hedge funds.

Regardless of the motive, we have observed that institutions creating a new company—either through IPO or divestiture—often face many of the same hurdles. More often than not, companies are not well-prepared to manage these obstacles.

| Common issues                                     | Key considerations   |
|---|--|
| Corporate governance                              | <ul style="list-style-type: none"><li>• Who will be responsible for business-critical decisions such as oversight of financials, capital allocation, and compensation management?</li><li>• How will roles be divided between the home office and sub-functions (or between the parent company and divested unit) with regard to performance management, risk management, and regulatory reporting?</li></ul>  |
| Public company capabilities                       | <ul style="list-style-type: none"><li>• Which short-term capabilities are needed to support independent operations? Which long-term capabilities are needed to support ongoing growth?</li><li>• How will the increased needs for risk management and compliance be addressed?</li><li>• Are key public company functions—such as finance, internal audit, tax, and legal—adequately staffed and prepared for operation?</li><li>• Do functions such as investor relations, public relations, and marketing need to be developed to manage communication with external stakeholders?</li></ul> |
| Defining the relationship with the parent company | <ul style="list-style-type: none"><li>• Has a transaction agreement been documented to define the relationship and provision of services between the parent and divested company? How long is the agreement valid for?</li><li>• Is it likely that the divested company might be re-integrated with the parent company in the future?</li><li>• What role, if any, should the parent company play in the strategy and operations of the divested unit?</li></ul>   |

<sup>1</sup> PwC, 2010 US IPO watch: Analysis and trends, March 2011, p. 3, [www.pwc.com/us](http://www.pwc.com/us).

## Regulatory reform

*In our view, financial institutions will likely be forced to adjust their operating models to respond to regulatory reform, one of the biggest threats to sustainable growth in the industry.*

**To cope with emerging regulations, financial institutions will find their operating models impacted in three key areas:**

### **Governance/ Decision rights:**

- Unprecedented global regulatory changes are impacting decision rights. Financial institutions are faced with interpreting and implementing a variety of regulatory reforms across the territories in which they operate (e.g., Dodd-Frank in the US, Basel III worldwide, and Solvency II in Europe).
- Leading institutions are focusing on their ability to manage, monitor, respond, and adapt to regulatory changes efficiently on a global scale.

### **Organization model:**

- In light of Dodd-Frank, which increases accountability and transparency requirements, financial institutions are rethinking their organization models.
- Leading institutions are considering how employees on the front line interact with support functions, including risk management, finance, technology, human resources, and legal. Rather than just complying with regulators' requirements, they are updating operating models to engage regulatory authorities in key business decisions and to clarify the organizational structure, roles, and responsibilities.

### **Talent strategy:**

- The recent Office of the Comptroller of the Currency (OCC) consent orders have led many large mortgage providers to assess how their mortgage businesses function and whether their teams have the right skill sets and capacity to examine how risk is monitored, stress-tested, and managed throughout the operating model.
- To thrive in this new environment, leaders have been assessing their existing talent capabilities, determining how talent gaps will be filled (build, buy, or rent), and considering whether new organizations should be formed to manage regulatory needs across the organization.

**80%**

### **Focus on risk:**

80% of financial institutions plan to allocate more senior management attention to risk management.<sup>1</sup>

**64%**

### **Change in strategy:**

64% of financial institutions indicate that regulation has significantly influenced the need to change their strategies.<sup>2</sup>

**37%**

### **Increase headcount:**

37% of financial institutions are increasing risk manager headcount as a step toward improving risk management at their firms.

<sup>1</sup> PwC, 14th Annual Global CEO Survey, 2011.

<sup>2</sup> PwC, 15th Annual Global CEO Survey, 2012.



## Globalization strategies

**Many financial institutions are jumping on the bandwagon to expand internationally. However, they often face challenges in designing and executing a successful global operating model, particularly in emerging markets.**

**Many financial institutions are making the leap abroad in an effort to diversify risks and create potential new revenue streams.**

While developed economies are expected to grow by 1.9% in 2012, emerging markets are projected to expand by 6.1% over the same period.<sup>1</sup> CEOs recognize the need to go global; however, many financial institutions are facing challenges in designing and executing the operating models required to flourish in emerging markets. In order to prepare for these global initiatives, leading financial institutions are implementing:

*Global decision rights and related business processes*

In foreign markets, the sheer distance between the corporate center and regional offices has hindered timely communication and decision-making. Leading financial institutions have organized themselves in such a way as to promote rapid decision-making, effective risk management, and clear communication to respond to customer demands more quickly.

*Organizational models and talent strategy in a new market*

Emerging, fast-growing markets such as Asia, Latin America, and the Middle East are becoming more attractive options for conducting business, primarily due to their stronger political and regulatory environments and lower operating costs.

Institutions launching new businesses in emerging markets will have to redesign long-term operating models to support business strategy—including updating their organizational models, building new technologies and customer channels, integrating existing functions, and considering how to deploy talent in these markets.

*Regulatory and cultural requirements*

Differences in global, regional, and local regulatory and cultural requirements continue to create complexity in developing appropriate operating models for multinational entities. Financial institutions should carefully consider how to address these issues to meet customer needs while demonstrating respect for local working norms.

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<sup>1</sup> International Monetary Fund, World Economic and Financial Surveys, "World Economic Outlook," September 2011, p. 2, [www.imf.org](http://www.imf.org).

## Changing customer demands

***Institutions increasingly face growing tension created between multiple regions, product groups, and functions. This is impeding the ability to deliver the level of intimacy expected by increasingly global customers.***

### Setting the ground rules

As financial institutions have expanded globally, reporting relationships and decision-making responsibilities have grown more complex—with global and regional-based teams crossing paths with enterprise-wide product business units and functions such as finance and risk.

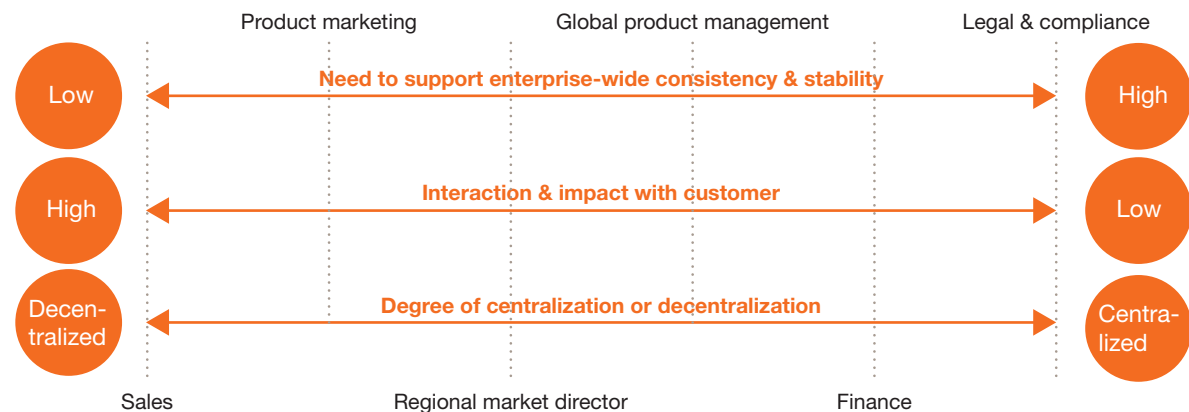
Leading institutions have recognized that clear design principles and interaction frameworks are needed to manage communication and decision rights across groups.

Generally, customer decisions should be owned and executed closest to the market and location of the customer, while maintaining clear global links to better service global customers. Functions with centralized mandates—such as risk management, finance, and compliance—should operate globally to enable an overarching view of the firm and to support consistent application of principles.

### Key success factors

In addition to clearly defining accountabilities and communication protocols, leading financial institutions promote timely adaptation to changing client needs by:

- Supporting a sound performance management system that allows information to cascade quickly as strategies shift and realignment is required
- Establishing “centers of excellence” that are able to respond rapidly to areas of business demand with specialists, leading practices, and technology capabilities.
- Maintaining a customer-focused workforce that is willing to alter course based on market or regional changes. This includes, for example, the ability to shift decision-making style from centralized to decentralized, increasing teaming, and blending generalists with specialists as circumstances change.



## Changing customer demands

**Leading financial institutions are designing new operating models that encourage idea generation and collaboration among teams. These models are helping them respond more quickly to customer demand and stay ahead of the curve.**

### Testing the innovation waters

The demand from customers for more customized, relationship-based products has pressured financial institutions to venture into new, untested territories. Innovation has become a high priority, and global innovations teams are a growing trend at leading financial institutions.

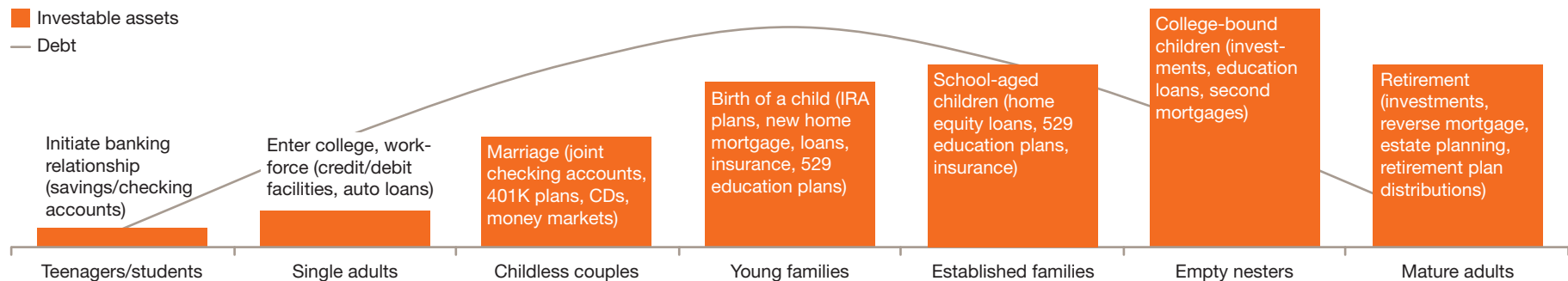
Following examples set in the technology and consumer products industries, leading financial institutions are developing new models—such as research and development functions—to encourage collaboration among teams with diverse skill sets to quickly generate and implement new product and service ideas. When executed effectively, these functions have generated new ideas efficiently, while linking with existing risk frameworks and delivering high-quality products in shorter timeframes than ever before.

### Breaking down the barriers to a customer-centric operating model

Leaders have recognized the criticality of understanding customer needs and linking them to the “financial lifecycle,” thereby supporting stronger relationships and cross-selling. Institutions are redesigning their operating models to transition focus from the traditional organization/product basis to a more customer-oriented view. For example:

- Implementing technology that integrates customer data across systems and provides a single view of customer transaction history and behaviors.
- Revamping employee compensation and incentives to reward customer-driven performance and innovative thinking.
- Promoting product design capabilities that keep customer needs at the forefront.

Illustration of customer financial lifecycle



*In this turbulent global economy, financial institutions cannot always stick to the same operating model. To successfully anticipate and respond to changes in the environment, institutions should incorporate leading practices that support adaptability and resilience.*



| Operating model components            |   |
|---------------------------------------|---|
| Areas                                 | Leading practices and key success factors promoting adaptability  |
| <b>Business capabilities</b>          | <ul style="list-style-type: none"> <li>• Resource management processes effectively match business capability talent supply with demand.</li> <li>• Cross-selling opportunities to customers through multiple channels are captured.</li> <li>• Assignment of profit- and loss- centers evolves, based on changes in the external marketplace.</li> </ul>  |
| <b>Governance and decision rights</b> | <ul style="list-style-type: none"> <li>• Decision-making responsibilities are clearly assigned, and there is a clear path for issue escalation and resolution.</li> <li>• Local leaders are empowered for market/customer decisions, while responsibilities for areas such as risk management and capital investments are centralized.</li> <li>• Decision-making styles adapt to market needs (e.g., shifting from consensus to command and control for urgent, important initiatives).</li> </ul> |
| <b>Organization model</b>             | <ul style="list-style-type: none"> <li>• Broad-based design of job roles and responsibilities enables flexibility and rapid reconfiguration to respond to business strategy changes (e.g., mergers, entry to new markets, development of shared service centers).</li> <li>• Teaming across functions, business units, and geographies facilitates a matrix reporting structure.</li> <li>• Group and individual performance metrics are aligned through all levels of the organization.</li> </ul> |
| <b>Process and technology</b>         | <ul style="list-style-type: none"> <li>• Business performance reports are effectively collected and disseminated to support timely decision-making.</li> <li>• Continuous process improvement is part of the organizational mindset.</li> <li>• Technology investments support business capabilities driven by customer and market demand.</li> </ul>   |
| <b>Talent strategy</b>                | <ul style="list-style-type: none"> <li>• Hiring and employee development processes enable development of both generalists and specialists.</li> <li>• A diverse range of incentives and reward mechanisms are designed to meet workforce needs.</li> </ul>  |

**There are many barriers that cause operating models to fall behind business strategies. However, leading institutions are providing the support needed to identify and execute on critical operating model changes.**

**Common obstacles that financial institutions face when assessing and redesigning their operating models include:**

*Lack of strategic clarity*

Unclear business strategy and goals make it difficult to link business strategy with actionable changes to the operating model.

*Middle management resistance*

Middle management resistance to new ways of working and thinking can often derail an attempt within the organization that is striving to drive innovation and change.

*Competing priorities*

Competing priorities and limited time and resources may impact effective operating model planning and redesign. This eventually leads to suboptimal return on investment.

*Difficulty articulating the future state*

Inability to visualize and articulate the operating model into tangible customer and operational practices and interactions can impact productivity and result in loss of key talent.

**How do leading institutions address these obstacles?**

- **Designating an executive sponsor to oversee and manage the effort**—an influential sponsor is needed to make tough decisions and engage the right stakeholders. These factors are critical in gaining agreement on the future state and demonstrating long-term commitment to change.
- **Exploring the impact of the new operating model on customers**—avoid customer attrition by committing to a positive customer experience throughout the transition.
- **Engaging employees**—make clear to employees what their roles will be under a new operating model, and design incentives to retain critical talent. This can help maintain productivity and build grassroots support for changes.
- **Transitioning seamlessly**—enable a seamless transition for both employees and customers. This may require, among other things, developing new capabilities, redesigning front-office functions quickly, and collaborating on the back-end to deliver the same communications and level of service both internally and externally.



*Well-constructed operating models should address five key components to enable the organization to execute its business strategy.*

There are many definitions of the term “operating model,” but we believe that the following five components are the key areas that financial institutions should focus on to support the long-term success of their business strategies:

|                                |   |
|--------------------------------|---|
| Business capabilities          | Core capabilities (such as relationship management, product design, data analytics) that are required to execute business strategy. Non-core capabilities can be sourced from external service providers.   |
| Governance and decision rights | The process of defining business decisions and determining accountable decision-making groups or individuals. The process can be enterprise-wide or specific to a function, and assigned on a global, regional, or country basis.   |
| Organization model             | Includes service delivery, geographical location, and organization option (centralized, decentralized, shared service, center of excellence). Functional groupings, reporting structure, target headcount, and functional responsibilities for each function/sub-function are typically determined.     |
| Process and technology         | Refers to priority policies, processes, and systems needed to execute workflows, including enabling infrastructure, applications, tools, and data required to execute business processes. It also allows for providing products and services to customers and critical information to key stakeholders. |
| Talent strategy                | The management of the overall talent lifecycle, including workforce planning, recruitment, on-boarding, employee development, and performance management.   |

## *Competitive intelligence*



*Our observations of  
industry practices.*




**Our experience reveals that few institutions execute leading practices across all five operating model components. The following are industry observations related to business capabilities.**

| Industry-observed practices |  |   |   |
|-----------------------------|--|---|---|
| Component                   | Financial institution A<br>Global insurer  | Financial institution B<br>Global bank  | Financial institution C<br>US global investment manager   |
| Business capabilities       | <ul style="list-style-type: none"> <li>Capabilities are not always clearly defined or articulated.</li> <li>Not all functions/groups have an obvious set of capabilities available.</li> <li>There is limited sharing of capabilities and slow progress in creating integrated business capabilities.</li> <li>Collaboration is not encouraged across all functions as effectively or consistently as it could be, which hinders the new product development process by reducing the diversity of opinions and experiences among teams.</li> </ul> | <ul style="list-style-type: none"> <li>Capabilities are visibly articulated for revenue-generating divisions.</li> <li>There is clear perspective on centralized divisions' capabilities, particularly for areas of business priority such as risk, compliance, and internal audit.</li> <li>Future capabilities are being considered for areas of priority in line with business strategy.</li> <li>Operations team capabilities and provision of shared services are not detailed or explicit.</li> </ul> | <ul style="list-style-type: none"> <li>There are demonstrable core business capabilities in the areas of client relationship management, product management, and financial management.</li> <li>Market segmentation capabilities need building, and optimal geographical footprint needs to be determined.</li> <li>Capability gaps have been identified and are being addressed, including the shift from a product- to solutions- focus.</li> <li>There is emphasis on increased cross-selling; product innovation; and enhancing the "enabling" functional capabilities in the areas of human capital, operations and technology, and client marketing.</li> </ul> |

 Leading
  On Par
  Lagging


***Our experience reveals that few institutions execute leading practices across all five operating model components. The following are industry observations related to governance and decision rights.***

| Industry-observed practices  |  |  |   |
|------------------------------|--|--|---|
| Component                    | Financial institution A<br>Global insurer  | Financial institution B<br>Global bank   | Financial institution C<br>US global investment manager   |
| Governance & decision rights | <ul style="list-style-type: none"> <li>A specific decision-making methodology exists, and employees are trained on the methodology.</li> <li>All regions are currently redefining their governance models to comply with regulatory changes at the country and regional levels.</li> <li>The organization is investing significantly in delivering proper and efficient governance and decision rights.</li> </ul> | <ul style="list-style-type: none"> <li>Centralized business structure at the enterprise level provides clarity and transparency.</li> <li>Centralized global areas of expertise have been established with business embedded experts.</li> <li>Parameters and responsibilities are clear by role, and there is a well-understood knowledge of escalation and validation requirements by key oversight roles.</li> <li>Greater emphasis is being placed on defining governance and decision rights of roles due to increased reliance on collaboration across divisions.</li> </ul> | <ul style="list-style-type: none"> <li>A Global Management Committee has been established to run the business; composition consists of heads of product business units, regions, and support functions.</li> <li>Global subcommittees exist for each business unit and function.</li> <li>Mature governance management processes and tools exist for each global product business unit.</li> <li>Greater transparency and common processes and tools are desired on a cross-functional/business unit level.</li> <li>Current decision-making committees, roles, and accountabilities are designed to drive improvements in managing risk, global collaboration, and responsiveness to changes in market and customer requirements.</li> </ul> |

 Leading
  On Par
  Lagging










**Our experience reveals that few institutions execute leading practices across all five operating model components. The following are industry observations related to organization model.**

| Industry-observed practices |  |  |   |
|-----------------------------|--|--|---|
| Component                   | Financial institution A<br>Global insurer  | Financial institution B<br>Global bank   | Financial institution C<br>US global investment manager   |
| Organization model          | <ul style="list-style-type: none"> <li>Newly redesigned matrix organization ensures proper direct reports, interconnections, and operational effectiveness.</li> <li>Increased clarity around the role of the corporate center is required.</li> <li>Company is considering realigning structure to support a more global operating model.</li> <li>Company recently transitioned from a product-centric to a more customer-aligned operating model in line with business strategy.</li> </ul> | <ul style="list-style-type: none"> <li>Hybrid model has been established, centralizing key priority divisions (risk, compliance, audit, and legal) and decentralizing other non-core functions.</li> <li>Business unit structure and profit/loss ownership is aligned and rapidly updated as business structure changes.</li> <li>Company is currently updating and integrating oversight roles and newly established committees based on identified and reviewed business opportunities.</li> </ul> | <ul style="list-style-type: none"> <li>Company is primarily organized by global product business units and global corporate functions.</li> <li>Organization structure creates silos among product business units and inhibits ability to cross-sell.</li> <li>Limited number of global account managers contributes to lack of a single view of the customer.</li> <li>Global shared services is leveraged for select corporate functions, including finance, risk, and technology.</li> <li>New organization functions are being established to address capability gaps.</li> <li>Consolidation of geographical footprint has resulted in the need to continually refine the organization model.</li> </ul> |

 Leading
  On Par
  Lagging











***Our experience reveals that few institutions execute leading practices across all five operating model components. The following are industry observations related to process and technology.***

| Industry-observed practices |  |   |   |
|-----------------------------|--|---|---|
| Component                   | Financial institution A<br>Global insurer  | Financial institution B<br>Global bank  | Financial institution C<br>US global investment manager   |
| Process & technology        |  Multiple projects are being conducted in parallel to upgrade the system in order to make it a truly global organization. |  There are a significant number of systems as a result of historical acquisitions.<br> There has been no acquisition of banking platforms to allow efficient customer service or simplification of operational areas.<br> Heightened levels of training and investment in detailed process mapping are needed to ensure that fundamental errors do not occur.<br> Processes are clear but complex and labor-intensive. |  Ongoing transformation initiatives are underway, focused on building a common technology platform.<br> There are consistent global processes for corporate functions.<br> New reporting capabilities and dashboards have been established to drive increased transparency of business performance.<br> Company is focused on harmonization of product development processes across product business units. |

 Leading
  On Par
  Lagging

***Our experience reveals that few institutions execute leading practices across all five operating model components. The following are industry observations related to talent strategy.***

| Industry-observed practices |  |  |  |
|-----------------------------|--|--|--|
| Component                   | Financial institution A<br>Global insurer  | Financial institution B<br>Global bank   | Financial institution C<br>US global investment manager  |
| Talent strategy             | <ul style="list-style-type: none"> <li> A strong performance management system is in place to help collectively manage talent according to the same global standards.</li> <li> Strong leadership development program with specific programs is geared toward developing female leaders.</li> <li> There is limited investment in a structured talent management program that spans the overall talent lifecycle.</li> <li> Mobility program and rotational program are growing.</li> </ul> | <ul style="list-style-type: none"> <li> Established process and procedures are in place to manage talent lifecycle.</li> <li> Centralized systems and protocols are in place globally for human-resources facilitated talent management processes.</li> <li> Talent is not part of broader workforce scorecard measures; however, the bank is considering how to better facilitate reporting on talent.</li> <li> Cross-divisional talent assessment is not yet performed on a regular basis nor in a sophisticated manner.</li> </ul> | <ul style="list-style-type: none"> <li> Global mobility programs are not sophisticated.</li> <li> Identification and management of top talent are not consistently available.</li> <li> Recruitment of talent in corporate head office and high-growth regions (such as Asia) is difficult and not structured.</li> <li> Investments are made in learning and development programs and platforms to define and implement talent development programs.</li> </ul> |

 Leading
  On Par
  Lagging

## *A framework for response*



*Our recommended approach  
to the issue.*

**An operating model helps an organization translate core business objectives, vision, and strategy into an executable plan.**

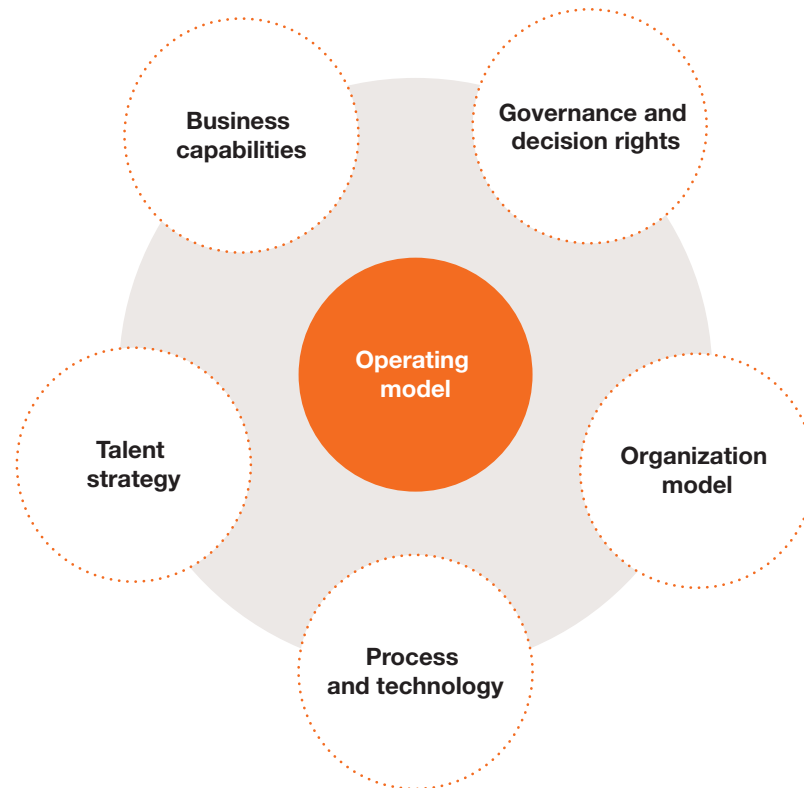
The approach outlined below assesses an organization's core enterprise and functional capabilities, and provides a framework for determining how it should organize itself (within business units, functions, and locations) to execute the business strategy.

|                   | Diagnose  | Design  | Build   | Implement   |
|-------------------|---|---|---|---|
| <b>Activities</b> | <ul style="list-style-type: none"> <li>• Articulate, define/refine strategy and vision</li> <li>• Define core business capabilities</li> <li>• Establish and test operating model hypotheses</li> <li>• Diagnose operating model effectiveness for: <ul style="list-style-type: none"> <li>– Business capabilities</li> <li>– Governance and decision rights</li> <li>– Organization model</li> <li>– Process and technology</li> <li>– Talent management</li> </ul> </li> <li>• Establish organization baseline (spend, headcount by role, function, and location)</li> <li>• Identify pain points, root causes, and improvement opportunities</li> <li>• Develop recommendations and business case</li> </ul> | <ul style="list-style-type: none"> <li>• Define design principles</li> <li>• Develop operating model options, including: <ul style="list-style-type: none"> <li>– Go-to-market orientation (product, customer, and geography)</li> <li>– Dedicated vs. shared functions</li> <li>– Shared services vs. center of excellence</li> <li>– Governance/decision rights (P&amp;L ownership and decision-making committees)</li> </ul> </li> <li>• Evaluate and select preferred operating model</li> <li>• Define balanced scorecard</li> <li>• Refine organization baseline and business case</li> </ul> | <ul style="list-style-type: none"> <li>• Define and build consensus around key operating model structures, business priorities, and potential benefits</li> <li>• Define and build organization structure</li> <li>• Confirm headcount requirements</li> <li>• Align with governance/decision rights, business processes, and talent strategy</li> <li>• Develop implementation roadmap and delivery timeline</li> <li>• Develop internal support structures to guide transition while maintaining core business</li> <li>• Refine business case</li> <li>• Develop organization and workforce transition plan</li> </ul> | <ul style="list-style-type: none"> <li>• Reorganize key business units/functions around the new operating model</li> <li>• Develop a dashboard of key performance indicators to assist management with refining the new operating environment</li> <li>• Implement change impact plan</li> <li>• Transition workforce, including defining and executing staffing and selection process</li> <li>• Continuously monitor, evolve, and manage risks</li> </ul> |
| <b>Outputs</b>    | <ul style="list-style-type: none"> <li>• Strategy and vision documented</li> <li>• Operating model hypotheses</li> <li>• Business capabilities map</li> <li>• Business case, including initial recommendations</li> </ul>   | <ul style="list-style-type: none"> <li>• Defined principles of design</li> <li>• Operating model design</li> <li>• Balanced scorecard</li> <li>• Refined business case</li> </ul>   | <ul style="list-style-type: none"> <li>• Organization structure, job design, and competencies</li> <li>• Headcount requirements</li> <li>• Refined business case</li> <li>• Workforce transition plan</li> <li>• Implementation roadmap</li> </ul>  | <ul style="list-style-type: none"> <li>• Dashboard aligned with revised operating model and balanced scorecard</li> <li>• Implementation solutions</li> <li>• Interaction model</li> <li>• Ongoing monitoring programs</li> </ul>   |

***The operating model has five key components that should be considered during each phase (diagnose, design, build, implement) of the approach.***

The five components of an operating model are closely interrelated and should be considered together. For example, to redefine business processes and technologies, an organization should consider which talent requirements are necessary to implement new processes or systems.

The following pages discuss each of these components in detail.

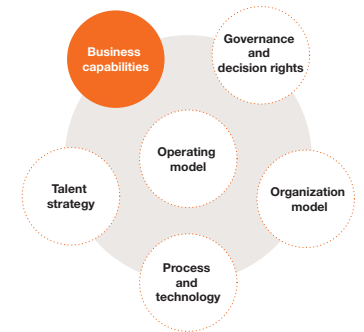




## Business capabilities

***Establishing clear business capabilities that are aligned with business strategy and objectives, as well as mapped to services and functions of the organization.***

Business capabilities refers to core capabilities (e.g., relationship management, product design, data analytics) required to execute business strategy. Non-core capabilities can be sourced from external service providers in line with strategic business requirements.

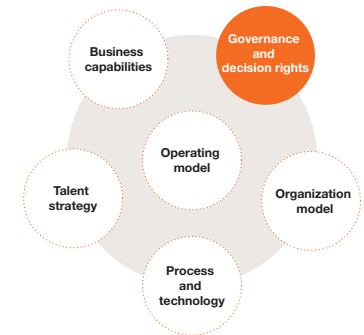


| Key steps                                  | Activities   | Key considerations  |
|--|--|---|
| Define required business capabilities      | <ul style="list-style-type: none"> <li>Understand business strategy and strategic objectives (growth, profitability, cost, etc.).</li> <li>Define the core business capabilities required to execute the strategy (future state).</li> <li>Develop business capability map and decision matrix.</li> <li>Map capabilities to services and functions.</li> </ul>                                | <ul style="list-style-type: none"> <li>What are the organization's business objectives or strategy, and do the capabilities drive toward those goals?</li> <li>Have organization core capabilities been assessed and agreed to at an enterprise-wide level?</li> <li>How is the need for these capabilities conveyed to leadership so that the right people can be deployed?</li> </ul>   |
| Conduct organization diagnostic            | <ul style="list-style-type: none"> <li>Assess the organization to gain an understanding of current state vs. future state capabilities.</li> <li>Identify gaps and actions plans to address gaps.</li> <li>Identify common capabilities that could be leveraged across the business, including those functions that should be owned and executed centrally, regionally, or locally.</li> </ul> | <ul style="list-style-type: none"> <li>What capabilities are specific to each line of business? Identify behavioral definitions for each competency and levels of development required by each role.</li> <li>How does the organization encourage its people to embrace changes in business capabilities without causing divisions?</li> <li>Have pivotal roles been reviewed, zeroing in on the competitive differentiators that influence customers in their buying decisions?</li> </ul> |
| Implement/Refine the business capabilities | <ul style="list-style-type: none"> <li>Create business capabilities overview map.</li> <li>Conduct a business capabilities impact assessment, including linkage to processes, technology, and talent requirements.</li> <li>Develop external customer facing content for launch (if required).</li> </ul>  |   |

## Governance and decision rights

***Establish a corporate governance structure that provides clarity around prioritized policies and clearly defines decision rights.***

Decision rights refers to the codification of business decisions and the accountable decision-making groups/individuals. Decision rights can be at the enterprise level or specific to a function, and can be assigned on a global, region, or country basis. Have you developed a decision-rights structure that assigns decision-making permissions to the appropriate levels of accountability?



| Key steps  | Activities   | Key considerations  |
|--|--|---|
| <b>Prioritize processes and build inventory of decisions</b> | <ul style="list-style-type: none"> <li>Understand the current governance structure.</li> <li>Create an inventory of all decisions.</li> <li>Articulate priority policies and processes to execute required decision-making workflows.</li> </ul>   | <ul style="list-style-type: none"> <li>To what extent are strategies and goals used as guidelines for decision-making?</li> <li>What are the decision rights and accountabilities assigned at the global, regional, and local levels?</li> <li>Are decision-making processes well-defined, clearly understood, and followed?</li> </ul> |
| <b>Establish a governance structure</b>                      | <ul style="list-style-type: none"> <li>Establish a governance structure, including committees and other decision-making bodies.</li> <li>Assign appropriate decision rights at each level of the organization (e.g., P&amp;L ownership and control).</li> </ul>  | <ul style="list-style-type: none"> <li>Are decision-making groups operating according to defined roles and responsibilities?</li> <li>Are decisions based on fact-based analysis and executed on a timely basis?</li> </ul>   |
| <b>Roll out decision rights</b>                              | <ul style="list-style-type: none"> <li>Communicate roles and responsibilities.</li> <li>Equip individuals throughout the organization with the enabling infrastructure, applications, tools, and data required to facilitate effective decision-making.</li> <li>Hold regular committee meetings.</li> <li>Establish a high degree of collaboration between risk and line of business, regardless of reporting relationships.<sup>1</sup></li> </ul> | <ul style="list-style-type: none"> <li>Are decisions consistently communicated across the organization?</li> </ul>  |

<sup>1</sup> PwC, "Cure for the Common Culture: Building Effective Risk Cultures at Financial Institutions," April 2011, [www.pwc.com/fsi](http://www.pwc.com/fsi).

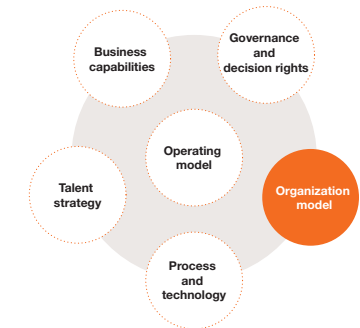
## Organization model

***Aligning the business units with the sources of profit is critical in the design of any organization model.***

The organization model includes two elements:

- Service delivery that determines choices of location and the organization option.
- The functional groupings, reporting structure, target headcount, and functional responsibilities for each function.

To alleviate any confusion upfront, companies should establish leadership and clarify key management roles and interrelationships early.

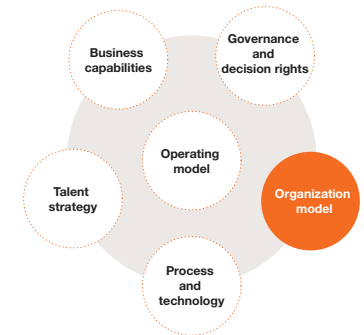


| Key steps   | Activities   | Key considerations   |
|---|--|--|
| <b>Decide on location and organization option</b> | <ul style="list-style-type: none"> <li>• Assess current delivery model.</li> <li>• Decide on corporate and business unit locations.</li> <li>• Decide on an organization option: centralized, decentralized, shared service, or center of excellence.</li> </ul>   | <ul style="list-style-type: none"> <li>• Are roles clearly defined? Do people know what is expected of them and what they are accountable for?</li> <li>• Which activities are best centrally managed by a shared service center vs. being managed by the business units?</li> </ul>   |
| <b>Centralize common functions</b>                | <ul style="list-style-type: none"> <li>• Determine those common functions that can be centralized vs. those that should be dedicated to the business lines or outsourced.</li> <li>• Determine functional groupings, reporting structure, target headcount, and functional responsibilities for each function and sub-function.</li> </ul> | <ul style="list-style-type: none"> <li>• Are self-service, off-shoring, and/or outsourcing leveraged for commodity-like services?</li> <li>• Which functions should be dedicated to countries/regions/localities?</li> <li>• Does the organization model support the achievement of strategic goals and objectives?</li> </ul> |
| <b>Execute the organization model</b>             | <ul style="list-style-type: none"> <li>• Align and communicate roles, responsibilities, and reporting relationships.</li> <li>• Transition to the new organization structure.</li> </ul>   | <ul style="list-style-type: none"> <li>• Are roles and responsibilities well-defined and understood by all levels of the organization?</li> </ul>  |

## Organization model

**An organization model should support alignment with the business. When it comes to choosing a structure, there is no one size that fits all.**

Industry examples of leading organization structures are illustrated below. Many institutions implement hybrid structures, combining elements of the predominant models in order to achieve an organization structure that best supports broader operating model needs.



|                      | Product-driven  | Geography-driven   | Function-driven  | Customer-market-driven  |
|----------------------|---|--|--|---|
|                      |   |  |  |   |
| <b>Description</b>   | <ul style="list-style-type: none"> <li>Each unit is responsible for the entire value chain relating to a product/suite of products.</li> </ul>  | <ul style="list-style-type: none"> <li>Each region has full control of all activities within its geographic boundaries.</li> </ul>   | <ul style="list-style-type: none"> <li>Functional expertise supports core competencies and can be based on company value chain.</li> </ul>   | <ul style="list-style-type: none"> <li>Organized around customers, market segments, or industries that are dedicated to serve the unique needs of each market area.</li> </ul>  |
| <b>Advantages</b>    | <ul style="list-style-type: none"> <li>Eliminates complexity of coordination across functions.</li> <li>All resources support the same product.</li> <li>Adaptable to fast-changing external environment.</li> <li>Consistent across geography.</li> </ul>                      | <ul style="list-style-type: none"> <li>Increased flexibility to enter emerging markets.</li> <li>Heightened responsiveness to region/country requirements.</li> <li>Economies of scale due to shared regional functions.</li> <li>Increased ability for local talent sourcing and management.</li> </ul> | <ul style="list-style-type: none"> <li>Enables consistent global management practices.</li> <li>Enables economies of scale.</li> <li>Enables deployment of talent on a global basis.</li> <li>Enables end-to-end global process ownership.</li> </ul>    | <ul style="list-style-type: none"> <li>Supports global customer strategy.</li> <li>Able to respond to market/customer change.</li> <li>Increased opportunity for cross-selling.</li> </ul>  |
| <b>Disadvantages</b> | <ul style="list-style-type: none"> <li>High-cost structure due to poor economies of scale.</li> <li>Conflicts between product and customer strategy.</li> <li>Missed opportunities for cross-selling.</li> <li>Global business strategy more difficult to implement.</li> </ul> | <ul style="list-style-type: none"> <li>Inability to serve global/regional customers.</li> <li>Global business strategy more difficult to implement.</li> <li>Conflicts between countries, regions, and global.</li> <li>Duplication of functions.</li> </ul>   | <ul style="list-style-type: none"> <li>End-to-end model difficult to construct.</li> <li>Limits organization flexibility.</li> <li>Difficult to manage for numerous product/service lines.</li> <li>Conflicts between functions and products.</li> </ul> | <ul style="list-style-type: none"> <li>Difficult to create global/regional operational efficiencies.</li> <li>Duplication of functions.</li> <li>Vulnerable to changes in customer priorities.</li> <li>Higher cost structure.</li> </ul> |

## Process and technology

**Implementing unified systems, operations, and processes across all business units will provide a consistent approach to daily operations.**

Process and technology refers to policies, processes, and systems to execute workflows to provide customer products and services, including determining the required infrastructure, applications, tools, and data required that will allow execution. Processes and technology will need to be prioritized and aligned with business objectives to implement the overall business case.

Establishing standard operating procedures that allow business to be conducted across the organization in the same way is critical. Providing standardized core processes, systems, and tools will support that objective and will provide efficiencies for data management and reporting.



| Key steps                                      | Activities  | Key considerations   |
|--|---|--|
| <b>Review current processes and technology</b> | <ul style="list-style-type: none"> <li>Conduct a process/technology review to understand the link to the organization's structure and approach.</li> <li>Interview key stakeholders to identify pain points/constraints/challenges with current processes/technology.</li> </ul>  | <ul style="list-style-type: none"> <li>How agile are your operations and technology? Will they provide you with the adaptability needed to meet changing market and regulatory demands?</li> <li>What processes are in place to ensure that all technology is deployed in a similar fashion across all lines of business, company-wide?</li> </ul> |
| <b>Develop alternatives</b>                    | <ul style="list-style-type: none"> <li>Generate hypotheses to identify new, inefficient, or redundant processes and/or technology elements.</li> <li>Gather/refine competitor/industry leading practice information.</li> <li>Perform opportunity analysis (benefits), quantify associated costs, and build business case and framework for improvement.</li> </ul> | <ul style="list-style-type: none"> <li>How is employee readiness for the adoption of different processes and technology determined? How are employees encouraged to make these changes stick?</li> <li>What internal and external triggers create a case for change?</li> </ul>  |
| <b>Develop and implement</b>                   | <ul style="list-style-type: none"> <li>Develop refined business processes.</li> <li>Establish enabling infrastructure, applications, tools, and data required to execute processes.</li> <li>Develop implementation plan and align systems/workflows with the plan.</li> <li>Launch and monitor new technologies and processes.</li> </ul>                          |  |

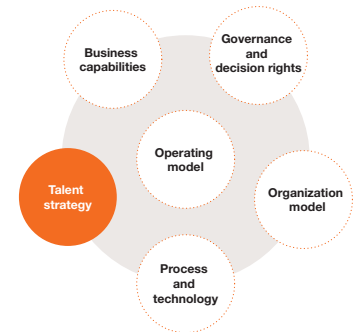


## Talent strategy

***Developing a forward-looking talent strategy that focuses on the skills and roles needed to achieve business objectives in the future will help support a sustainable pipeline of talent for the long term.***

Talent strategy includes effective management of the overall talent lifecycle, such as workforce planning, recruitment, on-boarding, development, and performance management.

Changing workplace demographics are placing more emphasis on an organization's ability to effectively manage its workforce and to ensure that people can be engaged through multiple locations. This is particularly important for retaining top-performing employees in roles where highly skilled talent is in demand.



| Key steps   | Activities   | Key considerations  |
|---|--|---|
| <b>Assess the current talent management program</b> | <ul style="list-style-type: none"> <li>Assess hiring, on-boarding, deployment, and retention strategies and practices.</li> <li>Assess strategic workforce planning approach and inputs.</li> </ul>  | <ul style="list-style-type: none"> <li>What skills will be required to drive your vision, manage your risk, and differentiate your business?</li> <li>Are the right resources with the appropriate skills appointed into key positions?</li> </ul>                                    |
| <b>Design and build</b>                             | <ul style="list-style-type: none"> <li>Refine strategic workforce planning approach using gap analysis against leading practices.</li> <li>Design and build a talent management program that develops and employs a consistent, equitable, and inclusive talent identification process.</li> </ul>   | <ul style="list-style-type: none"> <li>Have you established and communicated clearly-defined career paths, staff development, and succession planning?</li> <li>Do people have the appropriate intercultural skills and awareness to operate on an effective global basis?</li> </ul> |
| <b>Implement and monitor</b>                        | <ul style="list-style-type: none"> <li>Put in place the necessary programmatic efforts to support the talent management program, including consistent career paths, performance management measures, knowledge-sharing of best practices, consistent communications, change management, and leadership programs to facilitate succession planning.</li> <li>Implement and monitor the talent program.</li> </ul> | <ul style="list-style-type: none"> <li>Do employees feel personally connected to their jobs, teams, and/or the organization?</li> <li>Are global mobility programs enabling the deployment of talent on a seamless global basis?</li> </ul>   |

## *How PwC can help*



*Our capabilities and  
tailored approach.*

We look across the entire organization—focusing on strategy, structure, people, process, and technology—to help our clients improve business processes, transform organizations, and implement technologies needed to run the business.



| Client needs                         | Issues we help clients address  |
|--------------------------------------|---|
| <b>Build effective organizations</b> | <ul style="list-style-type: none"> <li>• Designing operating model and organization structures to adapt to business strategy and regulatory changes</li> <li>• Driving organizational efficiencies and innovation through developing adaptive organizational structures</li> <li>• Creating faster decision making and responsiveness through improved and streamlined governance and decision rights</li> </ul>  |
| <b>Leverage talent</b>               | <ul style="list-style-type: none"> <li>• Defining and implementing an effective HR organization</li> <li>• Rethinking pivotal talent and strategic workforce planning</li> <li>• Assessing talent and understanding required competencies to improve execution</li> </ul>   |
| <b>Innovate and grow profitably</b>  | <ul style="list-style-type: none"> <li>• Reshaping the IT function into a source of innovation</li> <li>• Transforming business information to drive insight and fact-based decision making</li> <li>• Evaluating acquisition and divestiture strategies to position for the future</li> <li>• Realizing deal synergy and value</li> <li>• Developing sustainability programs that add value</li> </ul>           |
| <b>Manage risk and regulation</b>    | <ul style="list-style-type: none"> <li>• Building a risk resilient organization</li> <li>• Managing ERP investment and project execution risk</li> <li>• Safeguarding the currency of business; keeping sensitive data out of the wrong hands</li> <li>• Ensuring capital project governance and accountability</li> <li>• Assessing and mitigating corruption risk in your global business operations</li> </ul> |
| <b>Reduce costs</b>                  | <ul style="list-style-type: none"> <li>• Driving efficiency through shared services</li> <li>• Redesigning finance to realize efficiency and competitive advantage</li> <li>• Taking control of cost through effective spend management and cash forecasting practices</li> </ul>   |

## ***What makes PwC's Financial Services practice distinctive.***

### **Integrated global network**

PwC US helps organizations and individuals create the value they're looking for. We're a member of the PwC network of firms with 169,000 people in more than 158 countries. We're committed to delivering quality in assurance, tax, and advisory services. Tell us what matters to you and find out more by visiting us at [www.pwc.com/us](http://www.pwc.com/us).

### **Extensive industry experience**

PwC serves multinational financial institutions across banking and capital markets, insurance, asset management, hedge funds, private equity, payments, and financial technology. As a result, PwC has the extensive experience needed to advise on the portfolio of business issues that affect the industry, and we apply that knowledge to our clients' individual circumstances.

### **Multidisciplinary problem solving**

The critical issues financial institutions face today affect their entire business. Addressing these complexities requires both breadth and depth, and PwC service teams include specialists in strategy, risk management, finance, regulation, operations, and technology. This multidisciplinary approach allows us to provide support to corporate executives as well as key line and staff management. We help address business issues from client impact to product design, and from go-to-market strategy to operating practice, across all dimensions of the organization. We excel at solving problems that span the range of our clients' key issues and opportunities, working with the heads of business, risk, finance, operations, and technology.

### **Practical insight into critical issues**

In addition to working directly with clients, our practice professionals and Financial Services Institute (FSI) regularly produce client surveys, white papers, and points of view on the critical issues that face the industry. These publications—as well as the events we stage—provide clients new intelligence, perspective, and analysis on the trends that affect them.

### **Focus on relationships**

PwC US helps organizations and individuals create the value they're looking for. We're a member of the PwC network of firms with 169,000 people in more than 158 countries. We're committed to delivering quality in assurance, tax, and advisory services.

## ***Appendix***



*Select qualifications.*

*Post-M&A organization design and operating model—Global banking services company*

|          |  |
|----------|--|
| Issues   | As a result of merging with a key competitor, the bank faced government mandates that it previously was not subject to. The regulations were designed to safeguard against domestic or foreign money laundering. This prompted the bank to consolidate various departments in order to centralize the due diligence activities required to track client applications and activity.   |
| Approach | <p>PwC was engaged to help define the bank’s organization design and operating model. The PwC team began by assessing the government mandate and the status of affected departments within the bank. PwC then partnered closely with the key stakeholders (including senior management; and internal regulatory, human resources, and operations specialists) to align the future-state organizational design with the new mission, vision, and future-state processes.</p> <p>Armed with this detailed analysis, PwC designed alternative organization structure models and facilitated management discussions about them to help select the right model. Elements of the organization structure analysis included strategic design criteria and work analysis, organization structure types, structural assessment of strategic capabilities and of core work activities, and assessment of key structural enablers.</p> <p>Once the bank’s management selected a new organization structure model, PwC provided a detailed organization design that included a governance structure with decision rights, team charters, team and individual role descriptions, and detailed job descriptions. The entire package was submitted to the bank’s management to gain buy-in for execution. Detailed organization designs—including org charts, governance models, decision rights, team and individual role descriptions, and detailed job descriptions—were then designed and vetted with management to gain buy-in for execution.</p> |
| Benefits | Through our work, the client could see how various structural designs would affect the flow of information, resource requirements, and skills necessary to produce the desired departmental outputs. The client had assurance that PwC’s design analysis complied with government regulations, that all key stakeholders had input, and that the new structure would support the processes designed to accomplish the bank’s mission.  |



## ***Cost reduction and process improvement with finance function redesign—Global banking and financial institution***

|                 |  |
|-----------------|--|
| <b>Issues</b>   | This global bank's objective was to assess the finance organization (approximately 1,600 staff) to identify opportunities for efficiency and centralization. The assessment would drive the first step in establishing a new operating model and a world-class finance organization.   |
| <b>Approach</b> | <p>During this ten-week, high-level assessment of the organization, we used an interview-based approach to develop preliminary recommendations. Our approach included:</p> <ul style="list-style-type: none"><li>• Interviewing approximately 120 senior and mid-level management personnel in the finance organization.</li><li>• Coordinating with several ongoing performance improvement and efficiency initiatives to limit the identification of redundant opportunities.</li><li>• Identifying redundant and/or overlapping processes and roles, including immediate cost efficiency and process improvement opportunities, as well as candidates for centralization or off-shoring.</li><li>• Identifying common themes among business units, as well as opportunities to centralize certain functions and to improve certain processes.</li><li>• Providing strategic and tactical recommendations to improve the finance operation, including:<ul style="list-style-type: none"><li>– A future-state operating model</li><li>– Span of control and organization charts to optimize management layers</li><li>– Mapping of staff to organization charts</li><li>– High-level definition of roles and responsibilities for finance and accounting staff</li><li>– An action plan to implement identified opportunities</li></ul></li></ul> |
| <b>Benefits</b> | We identified \$5 million in immediate savings in addition to savings identified by our client. We also identified \$15 million in savings achievable through performance uplift and cost reductions over a two-year period. This project also has provided the CFO with a future-state operating model and a high-level roadmap for transforming finance over a two-year period.  |

## ***Cost reduction and process improvement with finance function redesign—Global insurance and financial institution***

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### **Issues**

Following the acquisition of another insurance company to transform the client from a largely domestic company to a global player, this client faced significant challenges in managing operations because of scale and reach of international footprint, and diversity of geographic mix and product offerings. It was necessary that they understand and address key differences between client and acquirer when designing the new organization—including leadership styles, ways of working, organization structures, and corporate culture.

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### **Approach**

The PwC team partnered with the Executive Leadership Team to create and evaluate organization design for the international organization. This included:

- Advising on the development of critical success factors, design implications, structure, talent and roles, and high-level accountabilities.
- Facilitating discussions with senior leaders to resolve design issues, identify areas of concern, and clarify how reporting relationships, strategic initiatives, performance management, and financial scorecards would work across the organization.
- Facilitating working sessions for strategic business organizations to enable them to articulate their mission, roles, responsibility, and value proposition.
- Developing a talent management database to track talent movement and to assist with addressing talent conflicts, communication, and retention issues.
- Developing a high-level organization design structure that supported the aligned strategies of the acquired and parent companies.
- Developing a communication plan to support the implementation of a new governance and organization structure and to assist leaders in articulating the “case for change.”

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### **Benefits**

The client benefited by an increased focus on its alignment with international strategic business objectives. In addition, interaction between leaders has encouraged collaboration to achieve common understanding and agreement. Client leaders are also better prepared to articulate the value of the redesigned organization and address potential organizational issues and concerns of stakeholders.

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## ***M&A integration support— US wealth management firm***

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### **Issues**

A wealth management firm was in the process of integrating its private banking, wealth advisory, and investment management functions across the US. The client required assistance with the transition of its workforce into the new organization structure by accessing the full spectrum of talent, experience, and skill sets across the company to help ensure that clients were well-served.

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### **Approach**

PwC collaborated with the client on an eight-week project to help facilitate the transition of employees into the new organization. The PwC approach included:

- Designing the staffing and selection process.
- Onboarding HR business partners to carry out staffing and selections activities for their respective functions.
- Facilitating the selection process and managing employee data.
- Providing advice and inputs into implementation and transition planning, including change management, knowledge transfer, and leadership alignment.
- Providing advice and execution support for communications planning and development of key messages.
- Developing communications for internal constituencies.
- Sharing industry insights on severance, outplacement, and counseling methodology.
- Developing a strategy for retaining critical talent for the post-integration period.
- Providing high-level job grade and band analysis, as well as recommendations for positions in the new organization structure.

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### **Benefits**

Implementation of the new operating model and retention strategy has resulted in better customer service and an overall enhancement to the client experience. Senior executives and top talent are now more involved in managing the client experience at the local market level and are partners in key decisions that help drive quality and client responsiveness.

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## Organization design and operating model to improve regulatory compliance— Large national bank

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### Issues

As part of a series of initiatives to address higher risk areas within the organization, the client identified a need to clarify roles, responsibilities, and accountability for disclosure of interest (DOI) regulatory reporting. A component of this included transitioning DOI reporting from the bank's legal and compliance division to its operations division, and creating a centralized DOI reporting control group to monitor and coordinate DOI activities across the global organization. In addition, the client needed assistance with specific challenges during the transition period when operating procedures were not fully documented, on-the-job training was in progress, and a new global regulatory reporting system was not yet live.

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### Approach

Using a RACI (responsible, accountable, consulted, informed) methodology, PwC collaborated with the client to assess roles and responsibilities of groups participating in DOI reporting, focusing on identifying ownership and accountability of DOI activities. PwC facilitated workshops where stakeholders actively participated in discussions about roles and responsibilities necessary to deliver accurate and timely reporting.

In addition, by reviewing documentation and engaging stakeholders across divisions, PwC helped the client:

- Develop reference tools such as quick reference cards.
- Create data quality process flows and narratives around the exception management processes.
- Create a template for inter-departmental, service-level guidelines.
- Develop recommendations for metrics to be included in global and regional reporting packages that supported the accounting of day-to-day management and staff activities, as well as reporting to executive management.

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### Benefits

The structure and discipline of the RACI approach paved the way for an orderly transition into the new operating model. The approach and tools helped build support for the initiative among stakeholders, and began the shift to a more accountable model by educating stakeholders and involving them in the decision-making. Benefits also included stronger controls around the DOI reporting process, enhanced productivity through well-defined accountability, streamlined work processes by eliminating unnecessary interfaces, and improved organization effectiveness by allowing disciplines to cooperate and share responsibility.

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## **Organization design to increase operational effectiveness and flexibility—National bank**

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### **Issues**

The client was in the process of developing and implementing a new incentive compensation plan and automated solution to manage the incentive compensation payment process across its retail, business, and premier banking lines of business. The client faced multiple operational challenges, leadership changes, and governance hurdles amidst its efforts to transform its incentive compensation practices, and was seeking assistance with change readiness. PwC was asked to conduct a readiness assessment; as a result, the client recognized the need for support in designing an incentive compensation organization structure that would increase operational effectiveness and flexibility, and reflect the strategic direction of the new leadership.

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### **Approach**

PwC assisted the client with implementing a new operating model and organization structure for its Incentive Compensation Group. Activities included building a competency model, clarifying job roles and developing job descriptions, and creating a talent assessment to identify skill/capability gaps. PwC worked closely with client leadership to develop the new organization and promote buy-in for the implementation plan.

In addition, PwC was asked to lead the project management office in providing structure and oversight of other workstreams addressing process, technology, and incentive plan redesign. PwC proactively managed the project plan, tracked completion of key milestones, and identified risks and issues within the program. The PwC team also facilitated weekly status meetings to ensure that key members of the project team (including two external vendors) were held accountable for project activities, and regularly updated bank leadership on the project status.

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### **Benefits**

PwC's work on the organization design activities has allowed the client to develop the framework for a more flexible organization that will be better positioned to meet customer demands. It will also enable Incentive Compensation leadership to staff the new organization with the requisite skills and capabilities needed to act as a strategic partner to the individual lines of business.

PwC was able to assist the client with managing the project timeline, building accountability for assignments, and monitoring and mitigating project risks. This enabled the client to clearly understand the project's progress and make adjustments when necessary to meet objectives.

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*To have a deeper conversation, please contact:*

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"Ending the Endless Reorganization: Building an Adaptable Operating Model" PwC FS Viewpoint, May 2012. [www.pwc.com/fsi](http://www.pwc.com/fsi)

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PM-12-0303