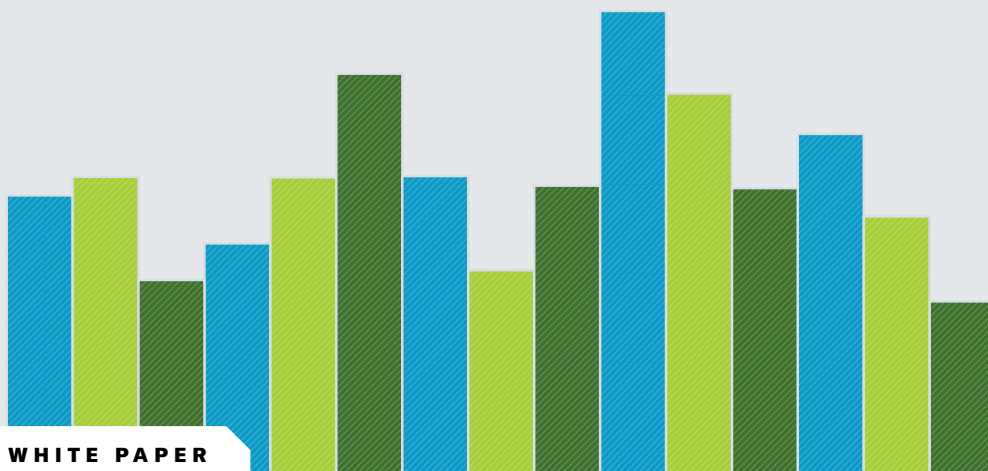




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ANALYTIC SERVICES



The Way Forward with Digital Transformation Accelerated by a Pandemic

Financial Services: Picking Up the Digital Pace



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Having gone through one of the most tumultuous years in recent memory, the Covid-19 pandemic has collectively challenged and changed us—as individuals, as businesses, and as a society.

In the financial services industry, the change has been dramatic. Organizations across banking, insurance, and capital markets have embraced digital innovation at a record pace to adopt new ways of working, serve the financial needs of customers, and keep the markets performing. And they have done so while meeting the highest levels of security and regulatory requirements along the way. The tenacity of the industry and its workforce has been remarkable.

As a result of the pandemic, change is here to stay. Leaders have shifted their mindsets and are accelerating their cloud-based transformation strategies and capabilities to further build resiliency and agility, as well as innovate and grow. Financial services companies are evaluating their business models to identify new opportunities to help their customers, partner across the industry to leverage competitive strengths, and embed financial services throughout commerce.

This is certainly poised to ratchet up competition within the industry—between traditional financial services organizations and new, nonfinancial services entrants—with expectations for new ways of banking and obtaining insurance, alternate payment methods, and socially responsible investing, as just a few examples.

The use of cloud, artificial intelligence, advanced analytics, open application programming interfaces, and blockchain are all technology tools that can and do help financial services transform the way they are doing business now and in the future.

Key to success is the ability to connect and tap into the volumes of available data from both inside and outside their organizations in order to examine it in intelligent ways to find patterns, forecast and make predictions, and use it to unlock new value, insights, and opportunities. At Microsoft, we believe the leading indicator of digital transformation success is an organization's ability to build this predictive and analytical power.

In this white paper, in partnership with Harvard Business Review Analytic Services, you will hear from leading industry organizations that share their stories of digital transformation. I encourage you to use this report for learning and inspiration as we all continue to improve how we respond and adapt to today, build resilience, and reimagine tomorrow.



Bill Borden
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The Way Forward with Digital Transformation Accelerated by a Pandemic

Financial Services: Picking Up the Digital Pace

Change is inevitable, yet rarely does it happen at warp speed. Organizations have reshaped the workforce, overturned age-old business models, and embraced digital technologies, from chatbots to blockchain, in rapid response to the pandemic.

“There has been more innovation in the last six months than in the last six years,” says Mohanbir Sawhney, professor at the Kellogg School of Management at Northwestern University.

But these are no longer the early days of Covid-19. As the economy stabilizes, many organizations are questioning how they can continue to drive transformation and sustain the gains they’ve made in a short period of time. Consider, for example, the speed with which companies deployed remote workforces, or how brick-and-mortar businesses pivoted to e-commerce.

Building on this digital momentum requires examining the tactical maneuvers that have guided companies during this unprecedented moment in time and the lessons learned along the way. As many businesses are discovering, moving forward also requires embracing unconventional strategies around culture, organizational structure, and leadership.

Indeed, despite all the challenges of quick pivots and fast fails, the reality is Covid-19 has shown organizations new ways of engaging consumers, connecting employees, and collaborating with competitors. For many, there’s no turning back. “There’s been a lot of discussion in our agency about not wanting to go back to the old way of doing things because [our new approach] really helped us as an organization,” says Susan Donovan-Brown, director general for Employment and Social Development Canada (ESDC), a department of the Canadian government. “I see a real change in initiatives-thinking, which has been a really positive outcome of Covid-19.”

In many ways, that initiatives-thinking reinforces the digital transformation mandate that has long ranked high on organizations’ to-do lists but may have needed a catalyst to clearly show just how vast the possibilities are. According to a December 2019 Harvard Business Review Analytic Services survey, for example, 84% of executives believe new business opportunities are emerging as their organization digitally transforms. **FIGURE 1**

HIGHLIGHTS

Organizations have **reshaped the workforce, overturned age-old business models, and embraced digital technologies**, from chatbots to blockchain, in rapid response to the pandemic.

Businesses must take the lessons learned from the pandemic and **use them to move forward in new and innovative ways** when it comes to culture, organizational structure, and leadership.

Competitors must learn to **collaborate, leaders to empathize with employees, and well-established companies to test** new business models.



“There has been more innovation in the last six months than in the last six years,” says Mohanbir Sawhney, professor at the Kellogg School of Management at Northwestern University.

Covid-19 was the catalyst that emerged, drastically changing corporate agendas and forcing organizations to accelerate their digital transformation journey as survival and opportunity became intertwined. Simply put, the pandemic-driven disruption permitted companies to take unconventional and uncharted paths to strengthen customer relationships, engage employees, and serve a higher purpose.

This report examines the success factors that have allowed organizations to rapidly transform the way they interact with customers, employees, and competitors, whether it involves rethinking existing business processes, reframing relationships, or prioritizing the people aspect of their operations. It will also explore how organizations will continue to use technology to buttress human capabilities, and to invest in new solutions, to deepen their resilience and ability to respond in an ever-evolving environment.

Put People First

Making customers the focal point for an organization’s prioritization and investment decisions can drive transformational change in customer experience, which has become an increasingly important marker for business success.

Walgreens is a perfect example. The retail giant recently launched a number of new initiatives, including a contactless pickup service that allows customers to order products online and then pay for and pick up their items at more than 7,300 pharmacy drive-throughs nationwide. Also serving online customers is a new health care service chatbot on Walgreens’ Find Care online platform. This chatbot connects patients to a wide range of health services, enabling visitors to determine their risk of having Covid-19, as well as receiving real-time answers to commonly asked questions.

Business-to-business companies are also recognizing the value of launching new services to elevate and empower customers. Consider Rockwell Automation’s decision to offer clients critical services for free. As it is, automation technology from Rockwell Automation is at the core of many machines, including those responsible for manufacturing some of today’s highest quality surgical masks in the fight against Covid-19. To better support manufacturers during the pandemic, Rockwell Automation decided to offer its augmented reality solution, which “virtually” delivers work instructions to technicians in the field, as a free service. Other free-of-charge deliverables include access to e-learning courses and remote troubleshooting capabilities.

As adoption of these services increased exponentially, Rockwell Automation quickly created a Covid-19 situation room—a cross-functional team of 60 senior executives whose goal is to “make sure we continue to have the ability to support our customers and deliver value,” says Tom O’Reilly, vice president of global business development at Rockwell Automation. Members rely on web-based collaboration and communication tools, such as videoconferencing and instant messaging, to regularly check in on customer engagement and other factors that might impact service quality.

Organizations are also putting employees front and center by meeting their needs with equal parts flexibility and empathy. At Manulife, CIO Shamus Weiland says the company makes a point of “providing flexible schedules to help those who are balancing working at home with juggling family responsibilities; financial support, such as salary continuation, for roles where working remotely is not a possibility; and supplemental short-term leave at full pay for those impacted by the virus.”

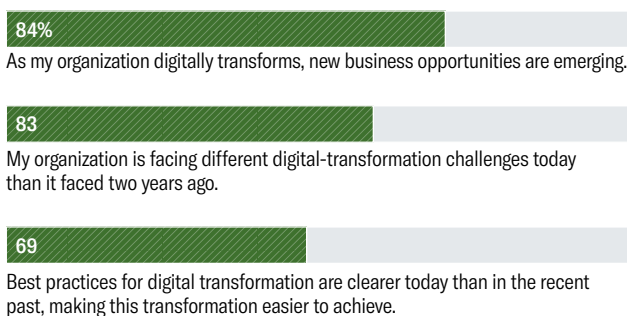
Other perks include additional personal days, motivational speakers, and Camp Manulife, a four-week virtual summer camp designed to entertain young children whose parents work from home. Manulife has also overhauled its intranet

FIGURE 1


An Evolving Path to Digital Transformation

New business opportunities await those who can negotiate that journey.

Rate the extent to which you agree with the following statements.



Source: Harvard Business Review Analytic Services Survey, December 2019



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sites “with up-to-date information on staying healthy, tips to optimize your tech experience, and virtual training,” says Weiland, adding that site visits have increased 50% since the upgrade.

Manulife is hardly the exception. “We’re definitely seeing more emphasis on empathy as organizations home in on the needs of their people,” says Melissa Swift, a global leader for workforce transformation at Korn Ferry.

Let Go of the Old, Embrace the New

While rapid transformation requires organizations to embrace new strategies around customer and employee relations, it also necessitates parting with long-held business processes that no longer serve a renewed agenda or vision for the future. Case in point: When it came time for Walgreens to roll out pandemic-inspired services for its customers, the company embraced a whole new approach to deployment. Updating a website, or designing a chatbot, can take months of writing code and negotiating features and functionalities with various business leaders. To expedite this process, Walgreens scaled agile methodologies across the entire enterprise, says Andrea Farris, the company’s vice president of development.

Scrum teams, once primarily comprised of software developers, now “include representation from all the different areas of the business, from supply chain to finance to operations to learning and development,” he says. Walgreens

also began focusing on speed and iterative progress—a tactic that helped reduce service deployment cycles from months to weeks.

“We stopped letting perfect be the enemy of good and started launching new customer experiences at an accelerated rate, iterating and improving along the way,” says Farris.

Walgreens isn’t alone in its widespread application of agile. “We’re starting to see agile concepts adopted even at large, traditional enterprises,” says Sawhney. The pace is only likely to quicken, he adds, as “smaller, collaborative, cross-functional teams make organizations more adaptable and resilient.”

Some companies are even going so far as to challenge the notion of what it means to be a competitive company in a free market. In early 2020, when the U.K. government summoned British industries to help produce critical intensive care unit ventilators, High Value Manufacturing Catapult (HVMC) could have remained beholden to the traditional notion of competition by embarking on a solo journey to a solution. Instead, HVMC, a group of manufacturing research centers in the U.K., formed a consortium of some of that nation’s top industrial, technology, and engineering businesses from the aerospace, automotive, motorsport, and medical sectors, with the common goal of building at least 20 years’ worth of ventilators in 12 weeks.

According to HVMC’s CEO, Dick Elsy, adapting to a new definition of competition and data transparency were key to



“We made the bold decision to have complete transparency of data. It was transformational. By being completely open, there was no need for heavy-handed oversight and governance, which would have disabled rapid implementation,” says Dick Elsy, CEO of HVMC.

overcoming some of the project’s biggest hurdles and fostering collaboration. Self-organizing teams replaced command-and-control processes to create a flat organizational structure across the consortium, with industry competitors encouraged to share project data from financial details to information on production bottlenecks.

“We made the bold decision to have complete transparency of data,” says Elsy. “It was transformational. By being completely open, there was no need for heavy-handed oversight and governance, which would have disabled rapid implementation.” Leaders also met regularly via videoconference to stay aligned on project milestones.

Some sectors, however, are known for being beholden to age-old processes and traditional concepts of work. Government, for example, continues to be burdened by legacy systems, disconnected workflows, and painfully bureaucratic reporting structures. Yet when the Canadian government began to roll out financial support programs for those impacted by Covid-19, ESDC’s Donovan-Brown knew the federal agency had to act fast.

By summoning public servants out of retirement, ESDC managed to staff a virtual contact center to answer constituent inquiries about the nation’s newly launched Canada Emergency Response Benefit (CERB) program for Canadians directly affected by Covid-19. A freeze on low-priority projects created more time for mission-critical tasks, such as setting up distribution centers to provision, distribute, and virtually connect laptops for nearly 30,000 remote workers—only 5% of whom used to work from home. Web conferencing and instant messaging tools “became instrumental in allowing teams to collaborate virtually and meet on a regular basis,” says Donovan-Brown. Extensive system upgrades on everything from servers and storage capabilities to remote access solutions continue to ensure secure and reliable access to ESDC’s IT environment.

Accelerated digital transformation aside, Donovan-Brown says meeting constituent needs in the midst of a pandemic would not have been possible without adopting a distinctly private-sector approach to government workflows.

“Normally, government gets bogged down because it’s all about risk management and mitigation and long-term plans,” says Donovan-Brown. “But we had a defined objective—to provide critical services to Canadians.” Meeting this objective, she says, hinged on senior management’s

willingness to allow the team to deploy solutions first, and iterate later, for the sake of speed.

Lean on a Strong Foundation for Resilience and Speed

Companies that had already invested in robust technology infrastructure and solutions before the pandemic unfolded found themselves uniquely positioned to weather some of its more rattling effects. For instance, when the pandemic shut down offices worldwide, companies needed to provide a battalion of remote workers with secure and reliable access to corporate networks—and to do so fast. Toronto-Dominion (TD) Bank was ready. “Our IT systems were set up to handle 20,000 employees working remotely,” recalls Jeff Martin, a senior vice president and CIO at TD. “In a matter of days, we pivoted and were able to set up a stable system for 60,000 people working from home, including contact center colleagues and trading teams in Canada and the U.S.”

One reason for TD’s resilience is the company’s pre-pandemic preparedness. Months earlier, TD upgraded its remote access services to provide employees with virtual access to all their desktop applications and files, whether at the office or at home. Other fortuitous moves: providing TD’s wealth management division with videoconferencing capabilities and maintaining strong relations with vendors that ultimately helped TD procure, provision, and ship more than 10,000 laptops to remote workers “in a matter of weeks,” says Martin. As a result, when the mass move to remote work came given the disruption wrought by the pandemic, TD was able to adapt somewhat seamlessly.

Similarly, Northwell Health, one of the biggest health care providers in New York state, had created a foundation for resilience with earlier investments in chatbot technology. This includes NORA, a chatbot designed to help clinicians find patient information and test results on their smartphones, enabling them to provide patients with prompt answers to their health care questions.

Augment Human Capabilities with Technology

For organizations like Northwell Health, investments in chatbots and other technologies serve an important dual

Financial Services: Picking Up the Digital Pace

The rise of financial services technology (fintech) companies and evolving customer expectations have driven banks, asset managers, and other financial institutions to delve into digital transformation. But the pace of change has been relatively slow, despite the positive impact innovative technologies such as the cloud and artificial intelligence can have on an institution's core services and customer experience.

The pace, however, has been hastened by Covid-19, as many organizations have been forced to tap into the business resiliency needed to pivot, change, and grow in response to the crisis. A perfect example is how many financial institutions have quickly transitioned their employees to remote work and strengthened their virtual connections both with employees and with customers using digital solutions. One such solution is cloud computing.

For years, security, privacy, and data protection concerns, particularly in heavily regulated industries such as financial services, delayed widespread adoption of the cloud. But that reluctance is changing as Covid-19 helps organizations recognize the cloud's ability to not only connect remote workers but also drive stronger risk management, respond to regulatory compliance requirements, and meet emerging customer demands.

For instance, cloud solutions with preconfigured security controls can ensure financial institutions, many of which collect and store credit card data, comply with Payment Card Industry Data Security Standards without requiring extensive assistance from IT or finance teams.

Cloud computing is also playing a significant role in helping financial institutions become more agile. This change is because with greater cloud-generated agility comes rapid-fire design, development, and deployment of digital tools, such as instant messaging, videoconferencing, and web-based collaboration solutions. These technologies allow remote financial services employees to stay connected and engage in greater cross-functional collaboration.

Just ask Jeff Martin, the chief information officer (CIO) for the Toronto-Dominion (TD) Bank, who says cloud-based collaboration these days is "about taking people and putting them together virtually, where you have a loan person working with legal, working with a UI (user interface) design person, working with a programmer. All of these people are working together—not just working

on a task and handing it over to the next person." The result, says Martin, is a considerably faster approach to achieving positive business outcomes, such as releasing a new customer-facing app or approving a loan application.

When combined with private clouds, a hybrid cloud environment can help deepen risk and customer insights, facilitate regulatory compliance, and manage security. For example, cloud can ensure remote workers' digital interactions with an employer are as seamless as meeting face-to-face in a boardroom.

"Our cloud-based systems and other remote access technologies allow our employees to work virtually with the same access, tools, and communications lines available to them in the office," says Shamus Weiland, CIO at Manulife, a global financial services group.

Customer expectations of financial services institutions are also evolving as consumers become accustomed to higher levels of personalization, convenience, and relevance in their day-to-day interactions with all industries, from retail to health care.

"Customer behaviors and adoption of digital have changed significantly during Covid-19—in a way that we've never seen before," says Weiland.

The good news is cloud resources can easily scale to support emerging customer demands and market fluctuations. Indeed, many financial services institutions are using cloud technology, and the full breadth of their data assets, to deploy secure analytical solutions, from which they can derive insights into customer behavior and preferences. This blending of cloud and data analytics also allows for more granular risk analysis, modeling, and simulation to improve risk management.

Certainly, change comes with challenges, but Covid-19 is proving to be the catalyst needed to push past legacy systems and traditional business processes, prompting financial services institutions to ask not when but how they can further their digital transformation journey.



The pandemic has taught many lessons, but one of the top ones may be that purpose can drive organizations to some of the most creative strategies and most fearless decisions.

purpose. On the one hand, they allow for quick pivots in the midst of changing circumstances. But innovative technologies also serve to augment human capabilities. For instance, adding 100 agents to its contact center team still didn't prepare Northwell Health for an early onslaught of patient queries in the wake of Covid-19. "We started to get thousands of calls from patients with questions such as, 'I'm not feeling well—do I have Covid-19?' 'These are my symptoms, what do I do?' And 'Do I need to see a doctor?'" says John Bosco, CIO for Northwell Health.

In response, Northwell Health designed and deployed virtual artificial intelligence (AI) health care assistants, which are really chatbots, that direct patients to critical information, as well as provide them with Covid-19 lab results, without human intervention. During the surge in Covid-19 patients earlier this year, these AI-powered chatbots handled nearly 20% of Northwell Health's total patient access contact center calls.

Similarly, health care provider Providence can attest to the power of chatbots, among other innovative technologies. In January of 2020, the organization became the first U.S. health care provider to hospitalize a Covid-19 patient. Still, it wasn't enough time to prepare for March, when people became "scared of this novel virus," threatening to overcrowd

emergency rooms, says B.J. Moore, executive vice president and CIO for Providence.

Using CDC guidelines and its own clinical protocols, Providence was able to build an AI-powered chatbot for a coronavirus assessment tool to help people in the communities it serves know whether they should seek medical attention for their respiratory symptoms. The result has been that patients could get fast and accurate answers to pressing questions without having to enter the facility. "The chatbot assesses a patient's symptoms and risks based upon their answers to certain questions, and from there, recommends whether a patient should not be concerned, check back later, or click on a button to set up a telehealth consultation," says Moore.

Human skills-enhancing technology has also helped Providence prepare for virtual health visits via phone or videoconferencing, leading to such visits skyrocketing from 70 visits a week to nearly 70,000. To date, Providence has not only been able to add 10,000 new health care professionals to its telemedicine program but also connect these care providers to patients in a reliable and secure manner.

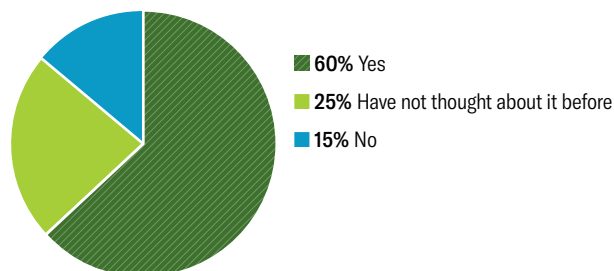
No wonder a March 2020 survey of 2,000 U.S. adults by information technology firm Sykes Enterprises found that 60% said Covid-19 made them more likely to consider using telehealth services in the future. **FIGURE 2**

FIGURE 2

The Rising Popularity of Telehealth

The pandemic changed how American adults feel about telehealth for the better

Has the Covid-19 pandemic increased your willingness to try telehealth in the future?



Source: Sykes Enterprises Survey, March 2020

Purpose-Driven Transformation

The pandemic has taught many lessons, but one of the top ones may be that purpose can drive organizations to some of the most creative strategies and most fearless decisions. Witness that at a time when there were only 5,900 ventilators available in the U.K. with experts forecasting a need for 20,000 more machines, HVMC met this urgent request by embracing a creative and counterintuitive approach to competition.

The ongoing challenge for companies is to keep that act-fast spirit alive and well. Already, the progress of pandemic-inspired initiatives has emboldened some organizations to test new service delivery models. Take Walgreens' recently announced plans to build hundreds of primary care clinics next to its retail pharmacy stores within the next five years as one such illustration. The project, dubbed Village Medical at Walgreens, will unite primary care doctors with local pharmacists in an integrated model to provide patients with



Even blockchain promises to play a more significant role in health care by allowing multiple health care practitioners to contribute to a single patient record with security and immutability.

greater health care service and convenience—factors they’ve grown accustomed to over the pandemic. The clinics also will provide 24/7 care via telehealth and at-home visits.

New and exciting use cases for solutions designed specifically for Covid-19 are also emerging. Consider what’s going on at Northwell Health, where its eponymously named mobile app allows patients to book a telehealth appointment, pay bills, find doctors, and access medical records. However, Bosco, the health care provider’s CIO, imagines a day when the app will be used to eliminate gaps in patient care. For example, he says, it could be programmed to automatically send a patient with type 1 diabetes a notification that it’s time to schedule an eye exam. Another idea being tested: a wearable device that tracks a patient’s vital signs and automatically notifies a hospital practitioner if the patient is experiencing a spike in temperature or irregular heart rate. “This way, a medical practitioner can act immediately rather than wait until the next time a clinician comes in to take a patient’s vital signs,” says Bosco.

While such technologies hold enormous promise for the health care industry, Bosco warns, “these programs will have to be proven out clinically” before they gain widespread traction.

Yet some solutions are already reshaping the future of patient care. Since the pandemic, Providence has monitored more than 1,000 positive or presumed positive Covid-19 patients remotely. “The big thing to come out of this

pandemic is more at-home care, more remote monitoring, and more dynamic forms of patient care delivery,” says Moore, the organization’s CIO.

The next step, he says, involves integrating multiple solutions, such as smart thermometers, oxygen sensors, and heart rate monitors, and aggregating the data they generate, for a more holistic, end-to-end view of a patient. Even blockchain promises to play a more significant role in health care by allowing multiple health care practitioners to contribute to a single patient record with security and immutability. For instance, blockchain could help physicians keep better track of whether a patient has received a Covid-19 vaccine, regardless of where it’s administered.

Even leadership is taking new shape as organizations come off the success of previous projects. HVMC’s ventilator challenge provides one such glimpse. Given the success of the project, spearheaded by a consortium of industry giants, HVMC’s Elsy is currently examining whether the same collaborative, noncompetitive approach can be used to solve other critical issues. “Why don’t we apply some of those new rules and ways of working to other big national challenges?” he asks. “Can we create that can-do culture, empower people to do the right thing, [and] bring competitors together to work on common ground and common challenges? We think that’s perfectly possible.”



Businesses must take the lessons learned from the pandemic and use them to move forward in new and innovative ways when it comes to culture, organizational structure, and leadership.

Conclusion

Certainly, Covid-19 created a momentum that has enabled businesses to easily cram years of digital transformation into mere months. But it will take more than robust networks and collaboration platforms to prepare for a challenging future. Rather, businesses must take the lessons learned from the pandemic and use them to move forward in new and innovative ways when it comes to culture, organizational structure, and leadership.

Competitors must learn to collaborate, leaders to empathize with employees, and well-established companies to test new business models. Why? Because there is no going back to the way things were. Sawhney likens the situation to a rubber

band. “When you take a rubber band and stretch it beyond its elastic limit, and release the pressure, it will not go back to its original shape,” he says. “It will be permanently changed.”

Covid-19 has tested digital transformation’s elasticity, forever changing how organizations operate. Now the challenge is for organizations to maintain the boldness inspired by the pandemic’s disruption to continue to innovate in new and creative ways.



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