Why Read This Report

Banks need to become customer-led, insights-driven, faster, and more connected to their external ecosystem if they want to be relevant in a digital world. In this transformation journey, digital leaders will evolve their organizational structure as their banks’ digital maturity advances. This report helps digital banking leaders understand what organizational model they should embrace to successfully execute their digital business strategy.

This is an update of a previously published report; Forrester reviews and updates it periodically to ensure continued relevance and accuracy.

Key Takeaways

**Align Digital Strategy, Governance, And Execution**
Culture and alignment trump structure. Clearly delineating accountability and communication is a basic requirement for successful digital transformation.

**Evolve Your Organizational Structure To Promote Digital Maturity**
Break down traditional functional silos in favor of a leaner, more agile structure that encourages cross-functional collaboration and teamwork on behalf of customers.

**Scale Digital Capabilities Across The Bank**
The end goal is not to build a separate digital bank — it’s to transform the entire bank. To accomplish this, digital banking leaders must be certain of their ability to scale digital culture and capabilities across the bank.
Organize For Digital Banking Success
Organization: The Digital Banking Strategy Playbook

by Frederic Giron
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Start By Aligning Strategy, Governance, And Execution

At the beginning, organizational structure matters less than culture and the way teams operate.\(^1\) Simply organizing your digital staff — even if done optimally — does not create the skills, processes, and culture you need to create differentiating digital customer experiences (CX). Instead, focus on aligning strategy, governance, and execution to drive digital maturity and customer obsession. Use customer-obsessed operating principles to shape the purpose of these functions:

- **Strategy.** This answers the question of how digital is changing your business. Forrester believes that banks must fundamentally change how they create value for customers and drive revenue. They must focus their digital strategies on enabling their customers’ financial well-being and build financial ecosystems to provide more relevant and expansive services.\(^2\)

- **Governance.** Digital governance is a set of frameworks and processes. Frameworks include service design and Agile project management; processes include steering committees that facilitate decision making, resource allocation, risk management, and measurement. The objective is to maintain a rapid flow of business and customer outcomes, reallocate resources dynamically, and ensure that there is a pipeline of ideas on where to invest next.

- **Execution.** Cross-functional digital teams work following Agile principles, owning ideation, development, and maintenance processes to keep handoffs to other teams to a minimum.\(^3\) They follow a customer-led design-deliver-refine approach to continuously move toward the goals set by digital banking governance. The key objective here is to balance speed and quality: The digital organization assembles the roles, skills, and processes to do the right thing — fast.

**Digital Strategy Defines And Communicates A Customer-Obsessed Path For The Bank**

The only business strategy left for companies in the age of the customer is to serve customers at a level that borders on obsession.\(^4\) The head of digital banking works with the CEO to define a vision for what digital business means to the bank’s business strategy and how it can help the bank build and take part in wider digital ecosystems.\(^5\) The head of digital banking, who is also accountable for executing this strategy and creating a customer-obsessed culture within the team, must:

- **Define and refine the business strategy.** Defining the strategy addresses three basic questions: “Who are our customers?”, “How are we going to create value for them?”, and “How are we going to capture value for the bank?” The strategy can’t be static, as continuous changes in competitive threats from new entrants and regulations like the European Union’s Payment Services Directive keep digital banking leaders on their toes. Open banking and the role that APIs will play in the bank’s future business strategy are some of the key questions digital banking leaders must address; over time, they will also need to define strategies for working with external digital ecosystems.\(^6\)

- **Communicate an ever-evolving digital vision.** A clear, well-articulated digital vision is at the heart of digital transformation and is crucial to aligning people in disparate teams with a common set of goals. Digital banking leaders need to provide a clear picture of where the bank is heading on its
customer-obsessed transformation journey. The head of digital banking must communicate this vision to the entire bank, helping departments understand the impact of digital technologies on different parts of the business. Three years into its digital transformation, DBS Bank organized an investor day to showcase its achievements and update employees, customers, and investors on the bank’s evolving vision.⁷

- **Catalyze a customer-obsessed culture.** Shaping a digital culture requires embracing new ways of working.⁸ Digital banking leaders must also instill and nurture a sense of common purpose, fostering a customer-obsessed culture where employees co-create with customers to serve customer journeys, not just banking products.⁹ Digital banking leaders embrace behaviors that embody customer obsession, encouraging insight-driven experimentation and empowering their team to make decisions.

- **Enable change.** Discerning leaders shed the traditional command-and-control mindset for a coaching mindset, aligning the direction of the digital team with the business strategy and empowering it to achieve its goals. As the digital leader of a bank in Poland told us, “Digital leaders must replace their information-hoarding habits with an ability to move knowledge and information as fast as possible.” They must focus on modeling and setting high standards for customer obsession, providing resources, removing obstacles, and recognizing and rewarding customer-obsessed behaviors.¹⁰ They improve their teams’ customer empathy with tools like customer journey mapping and frameworks like design thinking (see Figure 1).

### FIGURE 1 Use Design Thinking To Empathize With Customers And Develop Relevant Solutions

<table>
<thead>
<tr>
<th>Empathize</th>
<th>Define</th>
<th>Ideate</th>
<th>Prototype</th>
<th>Test</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethnographic research</td>
<td>Customer journey mapping</td>
<td>Voice of the customer</td>
<td>Agile development/DevOps</td>
<td>Instrumentation and analytics</td>
</tr>
<tr>
<td>Personas</td>
<td></td>
<td>Innovation management</td>
<td></td>
<td></td>
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</tbody>
</table>
Digital Governance Encourages Customer-Obsessed Actions, Not Red Tape

Bank employees sometimes see governance as an endless procession of hoops they need to jump through to make things happen. In fact, effective governance plays three crucial roles to help digital teams move faster. First, governance ensures a proper alignment between strategy and execution by ensuring that all digital activities tie back to strategy. Second, it allocates resources, drives collaboration, standardizes processes, ensures consistency, and prevents redundancy in pursuit of high-quality CX and operational agility. Finally, digital governance has risk management and security at its core, so that neither the bank’s safety nor that of its customers is ever compromised. To ensure effective governance, successful digital banking leaders:

› **Use collective planning sessions to embed customer focus and prioritize initiatives.** Think of these sessions as a town hall where teams get together on a weekly basis to review the performance of past releases and features and decide on priorities for the following week, combining bottom-up and top-down activities. Each idea coming from delivery teams needs to be structured in the same way, providing a high-level description of the complexity and effort required and detailing the expected impact on business and customer metrics. Tolga Ulutaş, executive VP of direct banking at Turkey’s Akbank, explains this prioritization process as “The better the idea, the bigger the impact, and the more resources.”

› **Have a steering committee to maintain executive alignment.** A steering committee helps to keep all of the bank’s senior leaders involved in executing digital banking strategy, rather than seeing it as someone else’s problem. The top-down approach is also important to have the right mix of initiatives balancing innovation, security, and system performance. A steering committee of business and technology leaders gather monthly for top-level governance, strategic alignment, and budget allocation.

› **Devolve decision making to increase speed.** At the core of day-to-day governance are two roles that continuously interact with each other: product and delivery managers. Product managers are ultimately responsible for owning the product vision, getting the functionality right, and translating business strategy into products that delight customers, so there’s a stronger sense of accountability for functional decision making. Delivery managers — or Scrum masters in Agile terminology — are part of a project management office, keep the team accountable to business goals, and remove potential roadblocks. They are coaches who ensure that the delivery moves along at the right pace. Both managers must be insights-driven, unbiased, use customer and delivery data to inform decisions, and avoid subjective discussions.

› **Define guardrails rather than strict rules to allow for flexibility.** Digital governance is a balancing act. Too much command and control can stagnate decision making, but devolution without common guidelines can lead to chaos. According to Akbank’s Ulutaş: “This is a living organism. What is planned for the next quarter might not be true. Customers, competition, and regulation also affect this list of priorities. So you need flexibility.” Guardrails provide this flexibility by defining the boundaries within which digital teams manage themselves. They allow teams to
make decisions and implement ideas quickly while protecting the interests of the bank and its customers. Guardrails must make clear who has the right to make decisions and when and how escalation is required.\textsuperscript{13}

\begin{itemize}
\item \textbf{Measure progress against customer outcomes.} Metrics that measure how the bank is serving customers ensure alignment between strategy and execution. An independent analytics team checks the actual performance of a feature after launch to see if it delivered what was intended and documents this feedback to inform prioritization decisions for further releases or features. Digital leaders must measure different teams and roles on a common set of key performance indicators that encompass business results and CX objectives.\textsuperscript{14} The feedback mechanism also helps evaluate teams’ ability to set realistic expectations and deliver against them. Scotiabank formalized how it measures progress, focusing on the volume of activities like migration, acquisition, and retention and CX quality and cost.\textsuperscript{15}
\end{itemize}

\textbf{Digital Execution Requires Clarity Of Role And Purpose}

This is where digital banking strategy comes alive. The scarcity of digital skills makes assembling delivery teams with the right capabilities a challenge for most banks. The head of digital for a large US bank told us: “I wouldn’t have started on the tech component; I would’ve started on the people component. If you don’t have the right talent, having the right technology is not good enough.” Digital team members need clarity on their respective roles and responsibilities, collaborative and iterative ways of working, and a strong sense of purpose. Successful digital banking leaders:

\begin{itemize}
\item \textbf{Establish four core digital roles with clear responsibilities.} The four key roles on the digital team are business strategy, design, technology, and analytics (see Figure 2). The business role is played by a product manager who excels at user-centric product design and can rally teams of engineers and designers to build delightful products. The design role brings the CX, UX, and interactive design skills necessary to ensure that banking services are usable and consistent across touchpoints. Technology roles bring the functional design element and evaluate the technical feasibility of ideas. The analytics role keeps a finger on the pulse of the internal and external performance of the team and products, keeping everyone honest on the progress made (see Figure 3).
\item \textbf{Develop a fast, connected operating model with limited handoffs.} The only path to digital business is tight collaboration between business, CX, and technology pros. This needs to happen at the delivery unit level for speed and quality. While team shape and size will vary, the goal is to break down structural and physical silos, limit handoffs, and make cross-functional teams more agile.\textsuperscript{16} BBVA has adopted Agile and Scrum methodologies for application development and delivery in channels. Banks like Poland’s ING Bank Śląski have even implemented a BusDevOps approach with a mixed team of analysts, developers, and businesspeople developing and maintaining applications throughout their life cycles.
\end{itemize}
› **Use customer journeys to guide digital banking execution.** To design, deliver, and fine-tune digital products and services, digital banking teams must follow a disciplined, customer-focused process that aligns stakeholders behind a clear business strategy and enables cross-functional, iterative execution of the bank’s vision. Digital banking teams should use customer journey and ecosystem maps as a unifying methodology to help prioritize and build great banking customer experiences.

› **Foster a customer-obsessed mindset for a common sense of purpose.** Developing a customer-centric mindset takes time. Start by sharing a common vision of the intended CX so all team members understand what “good” looks like from a customer point of view. Digital banking leaders use diverse strategies to nurture customer empathy within their teams. Singapore’s DBS Bank regularly uses videos of interviews with customers to dispel potential misunderstandings about what the real problem is. These videos help reset team members’ assumptions about customers and act as a powerful tool to shape idea generation sessions and business cases.
## FIGURE 2 Core Digital Banking Roles

<table>
<thead>
<tr>
<th>Domain</th>
<th>Functions</th>
<th>Responsibilities/tasks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business strategy</td>
<td>• Product management</td>
<td>• Own and manage the digital product/service or customer journey</td>
</tr>
<tr>
<td></td>
<td>• Demand generation</td>
<td>• Interface with the bank’s customer or product segment lead</td>
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<tr>
<td></td>
<td></td>
<td>• Oversee marketing and communications for digital banking products and services and ensure that they stay &quot;on brand&quot;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Suggest ideas for new products and services</td>
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<tr>
<td></td>
<td></td>
<td>• Create the business case</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Drive adoption of existing products and services</td>
</tr>
<tr>
<td>Design</td>
<td>• User experience design</td>
<td>• Design future-state customer journey maps</td>
</tr>
<tr>
<td></td>
<td>• Consumer behaviors</td>
<td>• Design and evolve personas</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Design and field ethnographic surveys</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Identify opportunities for usability improvements</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Conduct usability testing</td>
</tr>
<tr>
<td>Technology</td>
<td>• Functional expertise</td>
<td>• Define content and functionality requirements</td>
</tr>
<tr>
<td></td>
<td>• Application development</td>
<td>• Build digital products and services or interface with developers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Interface with technology teams to gain access to core business systems and capabilities</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Guarantee the respect of digital and enterprise architectural choices</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Identify opportunities for functionality improvements</td>
</tr>
<tr>
<td>Analytics</td>
<td>• Data science</td>
<td>• Measure the performance of products, customer segments, and marketing campaigns</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Run improvement experiments (multivariate and A/B testing)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Track customer interactions to understand digital behaviors</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Measure digital team process efficiency</td>
</tr>
</tbody>
</table>
### FIGURE 3 Other Digital Banking Roles

<table>
<thead>
<tr>
<th>Role</th>
<th>Goals</th>
<th>Responsibilities/tasks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Head of digital banking</td>
<td>• Articulate the digital vision&lt;br&gt;• Deliver business benefits</td>
<td>• Create and articulate the digital banking vision in line with the bank's business strategy&lt;br&gt;• Define business objectives&lt;br&gt;• Own P&amp;L or shadow P&amp;L for products and services marketed through digital touchpoints&lt;br&gt;• Portfolio management: Make kill-or-grow decisions based on product performance&lt;br&gt;• Drive a customer-obsessed culture in the digital organization</td>
</tr>
<tr>
<td>Project management office</td>
<td>Manage delivery</td>
<td>• Keep track of digital team performance&lt;br&gt;• Assemble cross-functional digital teams&lt;br&gt;• Ensure that there is a sufficient backlog of development ideas&lt;br&gt;• Run steering committees to prioritize subsequent developments&lt;br&gt;• AKA “Scrum master” in Agile project management</td>
</tr>
<tr>
<td>Innovation</td>
<td>Scout for and assess financial technology (fintech) partners</td>
<td>• Scan and assess markets&lt;br&gt;• Manage relationships with the fintech ecosystem&lt;br&gt;• Assess the business value of new solutions&lt;br&gt;• Find internal sponsors or incubators to pilot and eventually scale the solution&lt;br&gt;• Manage alliances</td>
</tr>
<tr>
<td>Ancillary roles like HR, security, risk, and compliance</td>
<td>Depending on the size of the digital banking organization, these can be dedicated roles</td>
<td>• Roles like operations, security, legal, risk, compliance, and HR can be dedicated inside the digital banking organization; in that case, they act as an interface with those functions within the bank&lt;br&gt;• Dual reporting line to the head of digital banking and respective functional heads</td>
</tr>
</tbody>
</table>
Evolve Your Organizational Structure To Promote Digital Maturity

Once you have the building blocks of the digital organizational structure in place and can show the benefits of such an organization in terms of speed, agility, and business and customer value, the next step is to break down traditional functional silos in favor of a leaner, more agile structure that encourages cross-functional collaboration and teamwork on behalf of customers (see Figure 4). This is a key part of the bank’s digital transformation journey. As the head of strategic transformation at Poland’s Bank Zachodni WBK explained: “It would be wrong to think that there is an end date on our digital transformation. We will never go back to how we used to work.”18
FIGURE 4 Scotiabank's Cross-Functional Teams
Change Your Organizational Structure To Accelerate Digital Transformation

Banks like Akbank in Turkey, DBS Bank in Singapore, ING Bank in the Netherlands and Poland, and Royal Bank of Scotland (RBS) in the UK understand that cultural change is the main challenge of their digital transformation. While cultural change takes time, these banks see a new organizational structure as a way to accelerate digital transformation because it helps immerse employees in the right work environment and change their ways of working. These banks:

› **Create new reporting lines and roles.** Old habits die hard. Encouraging cross-functional collaboration while keeping the same hierarchies and governance structure in place can feel like trying to change the shape of a memory-foam mattress — whatever force you apply, it always comes back to the original shape. A new organization helps change deeply ingrained habits by introducing new roles and reporting lines with a renewed clarity of purpose. In 2016, ING Bank Śląski in Poland executed an ambitious transformation of its organizational structure based on the Agile transformation of ING Bank in the Netherlands. It merged the IT, business, and operations of the retail bank into one agile organization of 600 people to bring innovations to customers faster.

› **Develop new processes.** Simply relying on training and education to mold your existing employees into a digital workforce that uses new methods like design thinking and Agile development will only take you so far. Once employees complete the training, most revert to their old ways. A new organization immerses employees in digital processes and methods and helps them develop new habits. One digital leader we interviewed talked about “re-habiting” employees by immersing them in a new organization. Justyna Kesler, COO at ING Bank Śląski, told us that the new agile organization forced it to revise processes across the bank: “The ways of working needed to change — but also all of the banks’ procedures, including strategic planning, budgeting, and HR.”

› **Build new environments.** Leading banks understand that a new work environment is a catalyst for changing culture. Banks like National Australia Bank, Scotiabank in Canada, and BBVA in Spain built new work environments in which business execs collaborate closely with technology and CX colleagues to create, incubate, and implement new digital product and services. That puts people in a different work environment at the same time as they get new roles and responsibilities. Jeff Marshall, former head of cross-functional digital factory teams at Scotiabank, told us: “We rented a temporary space and threw up some whiteboards and Wi-Fi and it works quite well. The old corporate offices are the meeting rooms. Just knocking down some walls is a really great place to start.”

Choose Your Structure Based On Your Digital Maturity

The bank’s organizational structure will evolve following a strategy that must be inherently dynamic to adapt to changing customer needs. Eventually, banks will have to reinvent themselves to offer new value propositions as part of wider digital ecosystems (see Figure 5). Moving to this state of end-to-end transformation will require a federated digital organization to scale digital functions while ensuring
consistent quality across the bank. This will take years and needs to follow an iterative approach. In interviewing banks for this research, we identified three main phases in the transformation strategy and their related organizational structure:

› **Tactical transformations are decentralized.** This is the first, uncontrolled stage. Individual departments like marketing, customer service, and eBusiness build their own digital assets in their own way for different purposes. They prioritize short-term cost savings and efficiency improvement objectives rather than overarching business or CX goals. The lack of a shared digital strategy results in a high cost of ownership and a failure to share and reuse best practices. A large bank in Singapore has its mobile and online banking teams reporting to the head of retail banking, whereas the public website and digital marketing teams report to the head of channels. Our research shows that such decentralized organizations are indicative of low digital maturity.

› **A central structure enables a functional transformation.** Adopters, driven by an urgency to accelerate their digital initiatives, move to a centralized model. “We realized that we had to bring everybody together under one roof if we wanted to be best in class,” said the head of digital at a large US bank. The digital team is usually part of the retail banking business, as this is where empowered customers’ expectations of digital are the highest. The head of digital banking tries to ring-fence digital resources and create a digital banking organization with two main objectives: digitizing customer-facing processes via mobile and online banking and accelerating the creation of a digital workforce with the right skills and roles. A growing number of banks are willing to restructure their organizations to achieve those objectives.

› **A federated structure scales digital in an end-to-end transformation.** Forrester believes that a distributed model, where digital resources live within business functions, is the way for customer-obsessed businesses to organize. The digital banking organization’s role shifts from managing digital touchpoints to enabling the end-to-end transformation of the bank. Few banks have reached this level of strategic intent, where digital transformation is elevated to a C-level function and the CEO drives the entire bank’s digital business transformation. BBVA chairman and former CEO Francisco Gonzalez and Santander chairman Ana Botin have put energy and resources into the digital transformation of their banking groups.
## FIGURE 5 The Scope Of Digital Transformation Initiatives Mirrors Banks’ Own Digital Maturity

### Digital transformation journeys proceed through three phases

<table>
<thead>
<tr>
<th></th>
<th>Tactical</th>
<th>Functional</th>
<th>End-to-end</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Objectives</strong></td>
<td>Accelerate time-to-market, improve digital CX</td>
<td>Accelerate time-to-market, improve digital CX</td>
<td>Business reinvention: sustainable, long-term competitive advantage</td>
</tr>
<tr>
<td><strong>Scope</strong></td>
<td>Team/department level</td>
<td>Digital function, usually within the retail business unit</td>
<td>End-to-end</td>
</tr>
<tr>
<td><strong>Accountability</strong></td>
<td>Head of department</td>
<td>Usually the head of retail banking; sometimes the COO</td>
<td>CEO</td>
</tr>
<tr>
<td><strong>Investment</strong></td>
<td>Minimal (hundreds of thousands of dollars)</td>
<td>A few million dollars</td>
<td>Significant (up to several billion dollars)</td>
</tr>
<tr>
<td><strong>Operating levers</strong></td>
<td>Single, usually technology</td>
<td>Mainly processes, skills, metrics, and technology</td>
<td>Culture, organization, metrics, processes, technology, skills</td>
</tr>
<tr>
<td><strong>Digital maturity</strong></td>
<td>Skeptics</td>
<td>Adopters</td>
<td>Collaborators</td>
</tr>
</tbody>
</table>

### Scale Digital Across The Bank

Customer-obsessed firms embed digital capabilities throughout the organization, so the final step for a digital banking leader is to scale these capabilities throughout the bank. Wholesale reorganization is most likely outside of the remit of digital banking leaders, but there are practical steps that you can take to begin to orient your organization. Achieving this scale will mean addressing many challenges, including ensuring that you have enough talented people with the right skills, preparing for a lot more complexity, crafting new customer-centric value propositions, and embracing an ecosystem approach to capability development.
Increase The Digital Talent Pool

Scaling digital execution and governance across business units will create talent shortages, as the skills needed are much broader than most banks currently have. According to Tomasz Niewiedzial, tribe omnichannel leader at Bank Zachodni WBK: “To make this vision a reality, we must recruit skills like Scrum masters, CX, designers, automation, artificial intelligence, and big data analysis.” Banks must assess the gap between their current capabilities and those required for transformation. To create a talent strategy that will close these gaps:

› **Hire for mindset over skill set.** Several digital leaders told us that they tend to recruit more for the right mindset than the right skills based on the belief that you can train the latter, not the former. ING Bank Śląski COO Justyna Kesler explains: “You need people with a different mindset. Without any hierarchy to tell them what to do, they need to come up with ideas, experiment, and learn.” This deep sense of purpose to do the right thing for the business and the customer is the digital team’s main driver. Ricardo Campos, former senior director of electronic banking at Bank Millennium, said: “You need people who are senior and mature enough to understand the two business and customer goals they all have, and this isn’t easy.”

› **Invest in formal digital training.** DBS’s vision is to become a 22,000-employee strong startup, a lofty goal that will require all employees to learn new ways of working and new skills. To help retrain its employees, the bank announced in August 2017 that it would invest S$20 million to retrain 10,000 employees through 2022. These programs are also key to changing business leaders’ mindset. The reverse mentoring of top bank execs by startup managers or internal digital champions will become crucial for driving digital transformation.

› **Hire or acquire new skills.** Banks need to recruit from new talent pools. BBVA brought in people from digital marketing agencies to inject the right digital culture into the organization. When DBS Bank set up its digibank subsidiary, it recruited from companies like Google, Apple, Facebook, and Amazon to accelerate the creation of the right digital mindset. As digital banking leaders create digital teams and the relevant culture, they need to refine their understanding of the type of mindset they need to recruit to fit the burgeoning culture and to bring on board new roles to manage an increasingly distributed delivery model both internally (procurement, legal, and IT risk) and externally as they build and take part of wider digital ecosystems (third-party onboarding and management).

› **Retain existing skills.** With digital skills in such demand, digital banking leaders must do everything they can to not only find the right people, but also make sure that they stay. In particular, digital leaders should work with HR, IT, facilities, and operations to deliver better employee experiences that yield benefits like better engagement and reduced turnover. Banks should also think about new career paths and enable people with deep expertise in and passion for a specific area to evolve as a coach rather than a traditional people manager.
 › **Borrow expertise.** Filling skill gaps does not mean recruiting all capabilities for permanent positions within the organization. A bank that lacks the ability continuously train employees could better source some fast-evolving roles, like data scientists, on an ad hoc basis through external partners. Digital banking leaders can use traditional staff augmentation partners or new crowdsourcing platforms like Topcoder and Kaggle that can help fill temporary gaps in a bank’s digital talent pool.

### Define Points Of Integration

No matter how much you try to reduce internal complexity by removing silos, there will always be interfaces or points of integration between teams and other organizational units. As your digital remit expands to include touchpoints like contact centers and more capabilities like CRM, complexity will inevitably rise. As a digital leader, you can influence where complexity exists within your organization and design interfaces to deal with it. Some banks have approached this by using:

 › **A digital center of excellence to help spread digital best practices.** In this model, digital functions live in the various business units and a digital center of excellence (CoE) helps to align them with guidelines, standards, and best-practice sharing. Thailand’s Kasikornbank chose this model; line-of-business product owners are responsible for integration. The digital CoE works with all of the other business units and functions of the organization, such as compliance, technology, and operations. In this situation, the digital CoE needs to ensure that all functions have the same understanding of the importance of digital transformation.

 › **A matrix organization for tighter alignment of digital and business goals.** Akbank started a customer-centric transformation in 2013 when it created Akbank Direkt.³³ In early 2017, Akbank changed its structure to accelerate the transformation, deploying a matrix organization to scale its digital capabilities across different customer segments. The bank’s VPs, including digital service owners, report to both a customer segment lead (consumer or corporate) and a capability lead (service design, analytics, or operations).³⁴ Integration with the rest of the bank is at the VP or customer segment lead (SVP) level to interconnect with the rest of the banking organization, including traditional products and core platform capabilities. BBVA conducted a similar reorganization of its customer solutions division.³⁵

 › **A fully Agile organization.** ING Bank in the Netherlands made the news in 2015 when it started an Agile transformation based on an organizational structure inspired by companies like Google, Netflix, and Spotify.³⁶ At the core of the Agile structure is the “squad,” the Agile name for a cross-functional team. This Agile organization is essentially a matrix in which “tribes” — a group of squads aligned with the same technology platform or customer journey — intersect with “chapters,” communities of expertise or capabilities. Points of integration are concentrated with tribe leads, who ensure that knowledge and insights are shared with other tribe leads. Chapter leads ensure that agility and quality scale across the tribe. This Agile model is just one of several next generation org-models that banks can choose from.³⁷
Create Services Focused On Serving Customer Broader Customer Needs

The only way for banks to stay relevant in the face of fast-rising customer expectations is to enable customers’ financial well-being. More discerning banks like Lloyds Banking Group and USAA are moving in that direction by making the customer journey much more prevalent in the organization and empowering customer-centric leaders to drive cross-functional change (see Figure 6). Our discussions with leading banks show that banks make customer journeys into structuring elements of their organizations by implementing:

› **Microjourneys or threads.** RBS’s digital team is organized around journey managers; journeys are threads or portions of the customer journey, such as the payment function in the mobile app. Journey managers have commercial responsibility to drive sales, Net Promoter Scores, or adoption. For instance, they’re measured on how many customers successfully complete a journey from beginning to end or on the average number of payments made per customer. In the sales team, they work on journeys like selling current accounts. Journey managers are empowered to make changes on the website to make that journey better.

› **Journeys as digital transformation modules.** Here, customer journeys are much broader and guide the bank’s digital transformation. To apply a customer lens to this transformation, Lloyds Banking Group selected 10 customer journeys for improvement. It created “customer journey labs” — autonomous teams aligned with customer journeys and made up of colleagues from across the group. An empowered product owner with P&L responsibility, known as the lab CEO, leads each lab together with design and delivery partners.

› **Digital services that focus on customers’ life needs.** Banks like Akbank in Turkey and USAA in the US hide the complexity of their product portfolio behind outcomes that satisfy customer needs. They organize their customer-facing teams not by product, but by digital service (like a mobile wallet for teenagers) in Akbank’s case or life events (like filing a tax return or becoming a parent) in USAA’s case. As marketplace models in financial services develop quickly, we will see more banks establish the role of permanent journey owners with P&L responsibility who quickly assemble a set of financial products and digital capabilities, including analytics, that respond to specific customer needs in a personalized way.
FIGURE 6 Pivot Your Organization Toward Customer Centricity

<table>
<thead>
<tr>
<th>Maturity stage</th>
<th>What it means in practice</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cross-functional project teams</td>
<td>Organize temporary cross-functional project teams around customer journeys for the duration of given projects. CX teams inform and influence.</td>
</tr>
<tr>
<td>Customer journey ownership</td>
<td>Assign permanent customer journey ownership to a product owner and empower her to make changes to enhance the journey. Measure journey-centric outcomes (customer lifetime value, Net Promoter Score) over channel-siloed metrics.</td>
</tr>
<tr>
<td>Customer-centric organization</td>
<td>Assign P&amp;L ownership to customer journey owners, giving them a permanent cross-functional team. Maintain role competency centers to ensure consistency and professional development.</td>
</tr>
</tbody>
</table>

Evolve your organizational approach toward a more customer-centric model by first building temporary cross-functional change teams; over time, embed cross-functional leadership roles into the organizational fabric of your firm.

Recommendations

Plot Your Path To The Next Digital Maturity Level

Your intended digital maturity will shape your digital organization. Digital banking leaders should plan their organizations based on the level of maturity they intend to reach within the next two or three years. To achieve this goal, you should:

› **Hone your leadership style.** Flatter organization structures that enable faster decision making also require strong leadership at the top to guide investments, build skills, and ensure the proper alignment between strategy, governance, and execution. Ensure that these grassroots initiatives do not become fragmented — or you’ll find yourself back at square one.

› **Strengthen your network inside and outside of the organization.** Focus on extending these networks and empowering them along the lines defined in your digital strategy. Create an education and awareness program to raise the profile of digital banking internally. Educate your business peers about the value of digital business and secure senior management support for investments in resources and training. Build your personal brand outside the organization and be seen as a financial technology innovator.
› **Expand your coverage of the customer life cycle.** Discerning digital banking leaders have embraced contact centers and ATMs as part of their remit to improve their understanding of and service to customers. This is a great step toward elevating the role of digital leaders. Take the employee experience as seriously as the customer experience. You depend on the individuals delivering the intended CX — so make sure that you support them accordingly.

› **Evangelize organizational transformation.** Use the current state of digital maturity to highlight the importance and urgency of change. Your role must evolve from that of a custodian of digital channels to overseeing the infusion of digital experiences throughout the customer journey.

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Supplemental Material

Companies Interviewed For This Report

We would like to thank the individuals from the following companies who generously gave their time during the original or subsequent research for this report.

Akbank Direkt
Bank Millennium
Bank Of Tokyo Mitsubishi
Bank Zachodni WBK (now Santander Bank Polska)
Bendigo Bank
Capital Bank of Jordan
DBS Bank
HSBC
ING Bank Śląski
Isbank
Kasikornbank
Kotak Bank
Mashreq Bank
Royal Bank of Scotland
Scotiabank
Standard Bank
Unicredit
United Overseas Bank
WesBank

Endnotes

1 The optimal organization structure will only go so far to help your organization become more customer-obsessed. Our research into companies that deliver superior CX showed that operating under a customer-centric organizational structure does not predict success. See the Forrester report “The Truth About Customer-Centric Org Structures: They’re The Icing, Not The Cake.”

2 In the age of the customer, banks will either reinvent themselves or be forgotten — reduced to what one executive calls “dumb money pipes.” Digital business leaders will need to make tough choices and take bold actions over the next five to 10 years to stave off the serious threats that banks face. See the Forrester report “The Digital Banking Imperative.”

3 Agility is now a prerequisite for firms to continuously execute their digital strategy. See the Forrester report “Strategic Portfolio Management Is Agile.”

4 See the Forrester report “Leadership In The Age Of The Customer.”

5 To succeed, banks need a clear vision of how digital banking will evolve and a clear strategy for profiting from that. See the Forrester report “Take An Iterative Approach To Digital Banking Strategy.”

6 Open banking is the next logical evolution of digital banking, furthering the ability of a bank to enable customer outcomes by participating in collaborative ecosystems and partnerships. Digital technologies like APIs will sit at the heart of open banking as software and accessibility drives further disruption and business models evolve. See the Forrester report “The Open Banking Revolution Is Imminent.”
In November 2017, at DBS Investor Day, the bank shared how its technology platforms and the way business is done have evolved to achieve superior financial outcomes. It showed how digitalization has increased the value of each customer relationship — the result of enhanced customer stickiness, higher transaction volumes, and lower costs. Source: DBS Bank (https://www.dbs.com/investorday/index.html).

To create a sustainable digital culture, digital leaders must embed digital skills, knowledge, processes, and technologies within their firms and must reinforce and adapt the culture as the world around them continues to evolve. This means embracing agility and learning to be truly cross-functional. See the Forrester report “Sustain A Digital Culture.”

Innovative culture is difficult to define and even tougher to build and sustain. eBusiness executives at financial services firms struggle with skepticism toward digital technologies, aversion to risk, and a perception that regulation or legacy systems make change impossible. We spoke with almost two dozen innovators and gathered best practices that fall into four categories: excite, engage, empower, and embed. See the Forrester report “How To Create An Innovative Culture In Financial Services.”

Forrester has identified five leadership behaviors that most powerfully direct the organization to customer-obsessed actions. See the Forrester report “Leadership In The Age Of The Customer.”

This can dramatically slow the bank’s ability to create new sources of value for customers.

Very few teams use one Agile method only. Teams mix and match Agile frameworks, applying and executing various practices and ceremonies. See the Forrester report “Brief: Water-Agile-Fall is A Steppingstone To Faster Delivery.”

See the Forrester report “Sustain A Digital Culture.”

See the Forrester report “Track Digital Banking Success With Customer-Centric Metrics.”

For Scotiabank, this set of KPIs maintains a healthy tension in between business, tech, and design/CX roles. The team needs delivery performance objectives; this enables the bank to create a healthy, creative environment while moving in a common strategic direction set by the governance structure.

Ancillary roles like legal and compliance tend to be excluded from the digital organization in smaller banks. Larger digital organizations have created dedicated roles with dual reporting structures: to the digital organization and to the head of their respective department inside the bank. This ensures that the team has the skills and authority to address any issues it encounters along the way.

Achieving success with cross-functional teams is easier said than done. Clarity — of purpose, leadership, and timing — is crucial to digital success through cross-functional teams. Digital leaders can learn from executives who have assembled and run cross-functional teams to achieve digital business success. See the Forrester report “Assemble Cross-Functional Teams To Achieve Digital Success.”

Because culture change is slow to build and generate quantifiable returns, CX pros cannot wait for improvements in customer and business metrics as evidence that a transformation is paying off. The most successful companies track an escalating set of four indicators that help gauge whether transformation initiatives are on the right track from the outset. See the Forrester report “Leading Indicators Of An Effective Culture Transformation.”

Bank Zachodni WBK is now Santander Bank Polska.

Rapid, customer-led innovation is critical to remaining relevant in the age of the customer, but most organizations suffer from innovation inertia. Overcoming this inertia requires an organization to engage its entire staff — no matter what their role or expertise — in solving digital business challenges. See the Forrester report “Case Study: DBS Bank Fosters A Customer-Led Innovation Culture.”

Middle managers, in particular, tend to be comfortable navigating within existing decision making structures that they know like the back of their hand.
21 This transformation focuses only on the banking product development capabilities and communication channels with the customers, not the operation of existing products. The IT infrastructure and support functions also remained out of this agile transformation.

22 See the Forrester report “Case Study: BBVA Takes An Iterative Approach To Innovation.”

Banks like Capital One UK understand the importance of new places to reinforce things like co-creation: Capital One UK designed its new London offices with customer engagement in mind, constructing the office space around different zones that cater to the varying needs of a modern business. There will be a mixture of project space for the product teams, more open-plan areas for meetups, and dedicated space for human-centered design where customers can come in and co-create products with the teams. See the Forrester report “Sustain A Digital Culture.”

23 See the Forrester report “Assemble Cross-Functional Teams To Achieve Digital Success.”

24 In the age of the customer, banks will either reinvent themselves or be forgotten — reduced to what one executive calls “dumb money pipes.” Digital business leaders will need to make tough choices and take bold actions over the next five to 10 years to stave off the serious threats that banks face. See the Forrester report “The Digital Banking Imperative.”

25 Iteration is the means by which leading banks successfully execute their digital strategies. Digital banking leaders should create an action plan that helps them win in the age of the customer. See the Forrester report “Case Study: BBVA Takes An Iterative Approach To Innovation.”

26 While any organizational choice is a tradeoff of efficiency, control, localization, and speed, a firm’s digital maturity is a strong bellwether for its “optimal” organization structure. The most digitally immature firms are the most likely to have a decentralized digital organizational structure. See the Forrester report “Evolve Your Organization Structure To Promote Digital Maturity.”

27 A growing number of bank chief executives, like BBVA chairman and CEO Francisco Gonzalez and Santander chairman Ana Botin, have put energy and resources into digital transformation. See the Forrester report “The State Of Digital Banking, 2016.”

28 See the Forrester report “The State Of Digital Banking, 2016.”

29 Source: Ann Williams, “DBS to invest $20m over five years to transform 10,000 employees into ‘digital workforce,’” The Straits Times, August 21, 2017 (https://www.straitstimes.com/business/banking/dbs-to-invest-20m-over-five-years-to-transform-its-10000-employees-into-digital).

30 When creating digibank, DBS located it far from the bank’s HQ to ensure that the digital culture could thrive without much influence from the mother ship. The original teams were made up of bankers and digital experts from companies like Google, Apple, Facebook, and Amazon. After a few months, people from both sides started to leave. Some complained that there was too much structure; others, not enough.

31 Attrition is costly. Dun and Bradstreet’s business research estimates that the cost of replacing a management position is 150% of the manager’s annual salary. See the Forrester report “Recruit And Retain Top Digital Talent.”

32 Employee experience (ex) is having its moment: We hear more interest now than ever before from our clients. That’s not surprising in this tight labor market, where Millennials make up an ever-larger share of the workforce and companies find themselves competing to attract and retain talent. The following report explores the benefits of improving EX. See the Forrester report “Why EX? Why Now?”

33 Turkey’s Akbank understood early that the bank would not be able to differentiate just on financial products, but also on services based on products that would bring differentiated value for their clients. To accelerate the growth of its digital offerings, Akbank in Turkey spun off its digital banking organization in 2013, creating a direct banking unit that reported directly to the CEO. This also included new functions like CRM, analytics, call center, ATMs, and web portals.
They have shadow P&L responsibility. They are accountable to drive the performance of the direct bank in terms of sales and customer acquisition/retention — even though the final P&L responsibility is the line of business managers at Akbank.

The bank coordinates the activities of operating units (including consumer, asset management, and corporate banking) and capability units (design, analytics, and engineering) to quickly deliver new value to customers. Source: BBVA (https://www.bbva.com/en/customer-solutions-key-priorities-execution-creation-transformation/).


Digital innovators embrace new organizational structures. Cross-functional working is a given, but innovators go further, democratizing trust in the outside world in return for speed, inspiration, and access to capabilities they can’t, or don’t want to, develop internally. See the Forrester report “Embrace Next-Generation Digital Organization Structures.”

Net Promoter and NPS are registered service marks, and Net Promoter Score is a service mark, of Bain & Company, Inc., Satmetrix Systems, Inc., and Fred Reichheld.

See the Forrester report “Case Study: Lloyds Banking Group’s Journey-Focused Digital Transformation.”
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